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CHARTING A NEW COURSE:
SOUTHEAST ASIA IN A TIME OF CHANGE

A REPORT

BY

SENATOR MIKE MANSFIELD
MAJORITY LEADER
U.S. SENATE

TO THE

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LETTER OF TRANSMITTAL

DECEMBER 10, 1976.

HON. JOHN SPARKMAN,
*Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Transmitted herewith is a report of my final official mission abroad as a United States Senator. It contains observations which result from a series of visits this year to various parts of Asia and the Pacific.

During July I spent eight days in Japan following which I sent Mr. Francis R. Valeo and Mr. Norvill Jones, who accompanied me, to Korea and Taiwan, respectively, to obtain current information concerning issues relating to those countries. A report of that study, "The End of the Postwar Era: Time for a New Partnership of Equality With Japan", was filed with the Committee and is included as an appendix to this report. In August, I traveled to Thailand, Laos, and Burma to view the situation in that part of Southeast Asia. My observations as a result of that visit were reported to the Senate in a speech on August 26, which is also included as an appendix to this report.

The third segment of my travels to assess the current scene in Asia was to the People's Republic of China where I spent three weeks during September and October. My observations on China were transmitted to the Committee on November 18. After leaving China, I visited the Philippines, Indonesia, and Papua New Guinea.

In the Philippines I met with President Ferdinand E. Marcos and officials of the Ministry of Foreign Affairs; in Indonesia I conferred with President Suharto, leaders of Parliament, and met informally with other government officials; and in Papua New Guinea I had informative talks with Acting Prime Minister Sir Maori Kiki and also had opportunity for discussions with other local officials. In each country I also received briefings from the staff of the local U.S. Mission. While in Indonesia, I received a briefing on developments in both Malaysia and Singapore from officers of the United States Embassy in each country who met with me in Jakarta for that purpose.

This report contains both observations on the non-China portion of my last mission and some observations on the general situation in Asia.

I was accompanied on the trip by Senator John Glenn and his wife, Anna, both of whom contributed greatly to the mission. I wish to

express my appreciation to the Department of State and to the U.S. missions in each country visited; the Department of the Air Force for transportation; Deputy Assistant Secretary of State Victor Dikeos for his efficient handling of logistics and other details, my assistant Mrs. Salpee Sahagian and Senator Glenn's secretary, Miss Kathy Prosser, for their able and willing help at all times; Dr. Thomas Lowe of the Navy Medical Corps for his services; Mr. Francis R. Valeo, Secretary of the Senate, Mr. Charles R. Gellner, Senior specialist in Foreign Affairs of the Congressional Research Service, Library of Congress, and Mr. Norvill Jones of the staff of the Committee on Foreign Relations, for their assistance.

I also wish to express special appreciation to my wife, Maureen, for her usual valuable contribution.

Sincerely,

MIKE MANSFIELD.

CHARTING A NEW COURSE: SOUTHEAST ASIA IN A TIME OF CHANGE

I. INTRODUCTION

Since President Nixon's visit to Peking in 1972 winds of change have swept Asia. It is in Southeast Asia that those winds have blown the strongest, increasing in intensity as a result of the 1975 collapse of the U.S.-supported governments in Indochina. Nations in the region are making major reassessments of their relationships. Nationalism, neutrality, and a growing interest in regional cooperation are the significant factors at work. The Association of Southeast Asian Nations (ASEAN), formed in 1970 by Indonesia, Malaysia, Thailand, the Philippines, and Singapore, has been the principal vehicle for advancing regional cooperation. Two underlying principles have contributed to ASEAN's success to date, a common readiness to refrain from trying to force agreement on contentious issues and a policy of avoiding becoming identified with any major power. Gradualism and a recognition that the interests of member states differ have governed the group's cautious approach. As an organization its goal is not to become a super-state but something of a club to promote common interests.

In April 1976 the heads of state of the ASEAN nations, meeting on the Indonesian island of Bali in the organization's first summit meeting, signed a Treaty of Amity and Cooperation which, among other things, created a mechanism for settling regional disputes. At this meeting, for the first time, ASEAN was given an explicitly political character. A secretariat for the organization has now been opened in Jakarta, in keeping with the keystone role Indonesia, as the most populous of the member nations, expects to play. To date, there has not been any formal contact between ASEAN and the United States although there has been a limited formal dialogue between the organization and the European Economic Community as well as with Japan. The question of direct contact with the United States is sensitive because of Indochinese suspicion that ASEAN is a tool of American interests.

No regional issue concerns ASEAN nations so much as the intentions of Vietnam, now the strongest military power by far in the region. Last July Phan Hien, Deputy Foreign Minister of Vietnam, visited throughout the region in an apparent effort to establish closer bilateral relations with the non-Communist nations in the area. However, in September, at the Colombo Non-Aligned Conference, Laos, supported by Vietnam, succeeded in defeating a Malaysian effort to win the Conference's endorsement of a Southeast Asian zone of peace, freedom and neutrality. During the conference debate Vietnam's Foreign Minister Nguyen Duy Trinh sought to assure the ASEAN

representatives that its support for Laos' position should not be interpreted as a change in its policy to seek normalization of relations with nations in the area. Nevertheless, Laos' action, founded on lingering suspicion that ASEAN is a covert device for continued American intervention, re-aroused fears over Vietnam and its Indochinese allies' intentions, concerns that had been somewhat quieted by Phan Hien's earlier visits. But the surface reaction was mild and, with the exception of Thailand where the October military coup changed the picture, the trend toward easing tensions between ASEAN nations and Vietnam continues. Some observers see ASEAN-Indochina relations developing along lines of the economic cooperation between Western and Eastern Europe, envisioning economic ties between the two groupings to that extent.

Thus far China has taken a detached view of ASEAN but no doubt would view with concern any tendency to convert the organization into a military alliance. Until the recent coup in Bangkok, China's relations with Thailand were warming rapidly. Since then a distinct chill has set in. Relations between China and the Philippines are good and with Malaysia they are correct but cool. Indonesia, which suspended diplomatic relations with China following Sukarno's ouster from power, is still watching and waiting to restore contact, fearing the possible impact an official Chinese presence could have on its Chinese community. Singapore waits a move from Indonesia. Taiwan has no embassies in the ASEAN countries but any step by China to take Taiwan by force would be seen as an upsetting development throughout the area.

Although ASEAN has not yet settled any of the inter-regional disputes that vex the region, such as the dormant Philippine claim to Sabah and the Thai Muslim separatist movement, the growing value all members attach to ASEAN harmony and goodwill helps dampen down these old disputes and may have kept new ones from arising.

Progress by ASEAN on economic cooperation has been slow, primarily because the member states are at different stages of development. The more developed members, Singapore and the Philippines, favor a regional free trade policy in which they see themselves as the bankers and manufacturers for the rest of the area. The less developed members, led by Indonesia, wish to protect their own developing industries and are wary of penetration by trans-national enterprises, which tend to be dominated by the overseas Chinese.

Specific ASEAN industrial projects are being developed. Basic agreement has been reached on building plants to serve area-wide needs for fertilizer, soda ash, and diesel engines. However, many details remain to be worked out on these projects, including the fundamental question of tariff preferences for the products. An initial step toward cooperation on regional banking matters was recently taken when the first ASEAN Bankers Conference agreed to establish an ASEAN Bankers Council whose objective would be "to formulate policy for coordination and cooperation among ASEAN bankers for the development of the ASEAN region." The first concrete act was agreement to set up a regional bank clearing arrangement. These steps, small though they may be, are building blocks for cooperation on other matters of common interest.

A strong economic development oriented ASEAN, tied to no major power, could be an important factor in the future of Southeast Asia.

United States policy should be to encourage regional cooperation but to refrain from trying to force the pace or direction of the movement. As a result of past American policy in the region, principally the attempt to create non-neutral regimes which were strictly aligned in policy with the United States, nations now find it disadvantageous to be identified too closely with U.S. interests. What the United States needs in Southeast Asia over the long run are not weak nations tied to American purse strings but independent, neutral nations which cooperate to advance common, peaceful objectives. In the interest of regional stability and world peace, cooperation between the nations of ASEAN and Vietnam, Laos, and Cambodia is much to be desired. Perhaps eventually Burma can be brought into such an arrangement. However, strong animosities still exist within the region, centering on Thailand and Vietnam. Thailand's role in the Vietnam war makes it highly suspect to its Indochinese neighbors and the long history of troubles between it and Burma places it in a key position for encouraging or discouraging the expansion of regional cooperation.

The October coup in Thailand was a serious blow to budding efforts to heal the war wounds with the nations of Indochina. In the name of stability, a situation has been created that may well lead to increased instability. The departure of American forces from Thai bases three months before the coup was a sound move for both Thailand and for long-range American policy in the region. There is no justification in terms of our national interest, intelligence gathering or otherwise, which could possibly warrant the return of an American military presence to Thailand. Any resumption of U.S. operations in Thailand would inevitably be used to tie the United States to the policies of the current military regime. The discontent of poverty cannot be cured by guns and the efforts to do so promise only further rebellion in the poor, neglected rural areas.

The United States is still tied to Thailand by the moribund SEATO Treaty. One of the first priorities of the new Administration should be to review this vestige of our misguided post-World War II policy in Southeast Asia before it gets the nation into further difficulty.

II. PHILIPPINES

Following my 1975 visit to the Philippines I reported to the Committee that:

The Philippine Republic is experiencing a period of growing national assertion and economic progress. At the same time, its ties with the United States which go back three-quarters of a century are in transition. What is involved in this transition of principal concern to the United States are the vestiges of the previous dependency relationship which, in my judgment, no longer accord with the enduring interests of either nation. There is a need for a reshaping of attitudes and arrangements which will reflect the changes that have taken place within the Philippines and in the Pacific and the world. The future of the Philippines is bright and so, too, can be the outlook for continued cooperation and beneficial interchange with the United States if the adjustments which are now required are made in good time and are managed with sensitivity and understanding—on both sides.

The Philippines is now charting a course of independence and neutrality which seeks to maintain good relations with all of the major powers and identify the Philippines with the Third World. Self-reliance and national pride are stressed, exemplified in the nation's

rejection of external assistance following the earthquake and tidal wave which struck the Philippines last August.

The year 1976 marked the fourth of martial law rule by President Ferdinand E. Marcos. There seems to be no widespread sorrow in the Philippines over the loss of the prior system. Martial law appears to be tolerated by most. A measure of law and order has been brought about and there has been the beginning of a concentrated attack on deep-rooted social problems. A great handicap of the past, the lack of a sense of national identity, is being tackled and national pride stimulated in various ways. Technocrats in the government are being given greater authority and recognition and more expertise is being sought to bring to bear on social problems.

The Muslim insurgency in the southern islands is less an active problem than in the past but it continues, as does the Communist insurgency in Central Luzon. The insurgencies are an economic, financial, and political drain on the government. The bulk of the Philippine army is tied down on Mindanao and nearby islands. The level of military activity has been reduced but, to date, there has been no real political dialogue between the government and the Muslim insurgents or political and economic change sufficient to satisfy the Muslims. It was recently agreed, however, that talks with the insurgents would commence through the auspices of Libya which has been a factor in financing the Muslim revolt. This is a hopeful sign and may possibly result in progress toward a solution to the dispute.

As to the general economic situation, the Philippines had a \$1.2 billion trade deficit in 1975, a situation that is expected to continue for the next several years. Increased petroleum prices have taken a heavy toll on the Philippines' balance-of-payments situation with the cost of petroleum imports rising from \$245 million in 1974 and to an estimated \$1 billion this year.

The economic growth rate for 1976 will be approximately 6 percent while inflation is running at about 5.4 percent, considerably better than in 1975. The World Bank has estimated that in the 1980's the Philippines will need \$9 billion in external financing above retained earnings but the country's debt-service burden is already high at 16 percent of exports and is expected to increase to 18 percent by 1980.

One of the most difficult problems facing the Philippines is the brain drain. The Republic has a very literate population and a well-trained managerial class but there is an outflow of trained Filipinos. It is estimated, for example, that there are some 25,000 Filipino doctors and 45,000 Filipino nurses in the United States. A developing country cannot afford such a loss and must find ways to stem this outflow of talent.

A rapidly growing population is one of the many problems facing the Philippines. From a population of 20 million in 1946 the number of Filipinos has escalated to 43 million today and the total is expected to reach 85 million or more by the turn of the century. Forty-three percent of the population is now under 15. Pressures are already such that some 700,000 to 800,000 jobs are needed each year for new job seekers and that requirement will grow to about one million by 1980. There is in these projections a great potential for discontent among young people over the next 10 to 15 years.

Food constituted some 10 percent of total imports. This year, however, the Philippines became self-sufficient in rice, thanks primarily

to new strains of miracle rice, an improved farm credit system and other agricultural reforms. It is also self-sufficient in white corn. There is still a substantial shortage of feed grains. Large imports of wheat and other food products, amounted to some \$242 million in 1974. The simple fact is that the Philippines must grow more food for more people on less land in the years ahead. In 1900 there were four hectares of land per person; now there are less than .8 per person.

President Marcos was an early advocate of family planning and his government recognizes that rapid population growth is the major impediment to economic and social progress. Public awareness of the population problem is great but, thus far, the government's emphasis on family planning has been in the cities although 70 percent of the people live in the rural areas. In five years the number of family planning clinics has gone from zero to 2,400.

As for economic relations between the United States and the Philippines, the Laurel-Langley agreement which set the framework for relations between the two countries in the postwar period expired two years ago and no successor agreement has been negotiated. In 1975 the Philippine exports to the United States were \$655 million, smaller than the previous year because of lower commodity prices and smaller sugar imports. United States exports to the Philippines increased to \$754 million bringing about a favorable balance for the United States for the first time in many years. The United States is the Philippines second largest trading partner after Japan. Japan has also replaced the United States as the leading investor although U.S. investments in the period from 1970 to 1975 were double that of Japan. The total market value of U.S. investments is some \$2 billion, although they are only \$1 billion at book value. Little American capital is now going into the Philippines except for investments in banks.

There have been informal talks between the two countries about a successor agreement to the Laurel-Langley agreement. The Philippines is interested in trade concessions while the United States' primary interest is in investment guaranties. The talks have now been suspended but are expected to resume in 1977.

Bilateral relations between the United States and the Philippines are presently focused on the base negotiations which began in Washington last April and moved back to the Philippines in June. The continued presence of the bases puts the Philippines in something of a difficult posture vis-a-vis ASEAN goals of independence and neutrality and the Philippines' policy of seeking a full-identification with the Third World. However, Filipinos recognize that the bases serve important mutual interests. The Chinese, concerned over Soviet influence in the Pacific, appear content to see the bases remain. I was told by one Chinese official in Peking:

We believe it is always not a good thing to have forces stationed on foreign soil. It seems your situation is also a result of the fact that you have interests to protect. As to how you go about that, it is a matter for you to decide.

Clark Air Base is the largest overseas military base of any country. The Subic Naval Base, a major station for servicing the Seventh Fleet, is the most important U.S. naval base west of Hawaii. U.S. military strategists consider the bases indispensable to a continued U.S. military presence in the Western Pacific. Some 16,000 U.S. servicemen are stationed on the bases, and they are joined by an additional 7,000-20,000 more at any one time from fleet units calling at Subic Bay.

Substantial sums are added to the Philippines' economy by the bases, \$142 million last year, not including the multiplier effect of the spending. The acreage occupied by the bases is so vast that some 46,000 acres at Clark have been surplus to U.S. military needs for years. It is said that squatters on land at Clark raise sugar cane valued at some \$10 million annually. Work that can be done at Subic costs \$25 per man-day compared with \$100 per man day for U.S. facilities in Japan and \$200 per man-day in United States shipyards.

Both the United States and the Philippines recognize that the 1946 Base Agreement is obsolete. This agreement gives the United States the freest use of any foreign base in the world and, in effect amounts to a grant of extraterritorial rights. It is this question which is primarily at issue in the base negotiations. Other issues include financial payments, manner of usage and restraints on personnel. In brief, the problem is to attune the U.S. presence to the Filipino drive for full independence. One related problem concerns taxation of on-base commercial activities. The exchanges at the two bases do \$65 million worth of business annually and goods passing through them often end up on the black market thus evading Filipino taxes, an operation that is extensive and well organized. It is said that an item which sells for one dollar in a base exchange will bring \$2.50 on the black market.

The base negotiations are likely to remain in limbo until the new Administration assumes office in January. I am confident that satisfactory arrangements can be worked out thereafter. There are important mutual interests to be served by retaining the bases and on this common ground an agreement can be reached.

A matter of special note involves the Spratley Islands which lie to the West. With oil exploration a matter of growing regional friction, the islands are a potential source of difficulty in view of the existence of the U.S.-Philippines Mutual Security Treaty. The Philippines Republic lays claim to the Spratleys as does the People's Republic of China, the Republic of China and Vietnam. There are troops from the Philippines, the Republic of China and Vietnam on one or more islands. A clarification or reconciliation of these claims without delay would seem to be in the interest of all concerned.

III. INDONESIA

Winds of change blow moderately in Indonesia, a land of 135 million people scattered among more than 3,000 islands extending East to West over a distance of 3,200 miles. Indonesia is the largest nation in Southeast Asia and the fifth most populous in the world. It is strategically located between Australia and the Asian mainland astride the sea lanes that link the Pacific and Indian Oceans. Continued unhindered transit of shipping through these waters is important to U.S. interests and is vital to Japan, for whom these waters are a lifeline to Europe and the Middle East.

Indonesia is a founder of the non-aligned movement. It is destined to play a leading role in Southeast Asia and throughout the developing world. Since Sukarno's fall from power a decade ago Indonesia has pursued a pragmatic approach to foreign policy. The stress has been on economic and social development as the best insurance of regional peace and security and the curbing of Communist influence. While

Indonesia frequently disagrees with U.S. policies, it has favored a cooperative approach toward the United States and other developed countries, opposing the confrontation tactics of many of the developing nations.

Led by men whose fear of Communism remains strong, Indonesia is taking a cautious approach toward relations with China and Vietnam. Although there are differences of viewpoint, the government of President Suharto has no present plans to resume diplomatic relations with the People's Republic of China which were suspended following Sukarno's fall and President Suharto's rise to power. There are deep-seated fears over the impact that a Chinese diplomatic presence could have on the three million local Chinese, especially in view of the fact that nearly one-third technically hold citizenship in the People's Republic of China. Indonesia is not concerned about direct action by China, but it is apprehensive over Hanoi's intentions, and is especially worried about the smuggling of arms into the country.

As the most populous and powerful member of ASEAN, Indonesia sees the organization as a device to further regional economic progress. It is well aware that any attempt to bind ASEAN to military purposes would run against the tide in Southeast Asia. Indonesia contends that it is opposed in principle to any foreign bases in the region, but defers to the Philippines for handling the question of U.S. bases.

Indonesia has absorbed what was once Portuguese Timor. Following the outbreak of fighting among political factions in Timor in August 1975, the Portuguese lost effective control. A dominant position was assumed by the anti-Indonesia Fretelin group. Indonesia became concerned that an independent East Timor would constitute a threat to Indonesia's security by providing an opening for Communist influence and subversion. Indonesia began to provide assistance to local groups opposing Fretelin. Indonesian "volunteers" landed in Timor and rapidly pushed the Freteline forces out of the main population centers. A provisional government was established which petitioned Jakarta for incorporation of East Timor into Indonesia. Following Parliamentary approval, East Timor formally became the 27th Province of Indonesia on July 17, 1976.

There are currently infrequent reports of small-scale guerrilla activity by Fretelin units in isolated areas of East Timor, but Indonesian forces are reported to be gradually bringing this under control. U.S.-supplied military equipment was used by Indonesian forces in the operation, without U.S. permission. That points up again a continuing problem in the enforcement of U.S. security assistance laws, a problem which deserves early attention by Congress and the new Administration.

The present party system in Indonesia reflects an effort to remove the political focus from Indonesia's deep ethnic and religious cleavages and to establish program-oriented politics. Former parties which accentuated these cleavages have been absorbed in two new organizations, the Development Union Party (PPP), composed of various Moslem groupings, and the Indonesian Democratic Party (PDI), composed of two Christian and three secular groupings. Concurrently the government has actively supported a new federation of functional (youth, Labor, farmer, women) groups called Golkar. This organiza-

tion won 62.8 percent of the votes and 65 percent of the elected seats in the 1971 election and is generally regarded as the civilian successor to the armed forces as the principal political base for the government.

The National Parliament is composed of 360 elected and 100 appointed members. Although Parliament seldom rejects government proposals it does have a voice in formulating them through prior committee consultations. The next parliamentary elections are scheduled for May 2, 1977. The President will be elected for a five-year term in the succeeding year by the People's Consultative Assembly, which consists of Parliament and an equal number of appointed members. The People's Consultative Assembly will also at that time adopt broad guidelines for governmental policy during the following five years.

Strongest opposition to the Suharto Government appears centered among adherents of former Moslem parties who claim that the most popular Moslem leaders have not been permitted to participate in leadership of the Development Union Party and that neither their electoral strength nor their views are properly reflected in the government. Criticism of the Suharto Government by these and other dissatisfied elements has centered on corruption. There seems to be, however, no basic disagreement with the Government's basic development policy goals.

Indonesia, one of the world's poorest nations in terms of per capita income, is richly endowed with a diversity of natural resources. It has important deposits of oil, natural gas, nickel, copper and tin and is a major producer of rubber, lumber and other agricultural products. Although the United States is not as heavily dependent as most industrial nations on these resources, circumstances could make them more important in the future. The United States' principal ally in Asia, Japan, relies heavily on Indonesian energy and raw materials. American firms have invested approximately \$2.5 billion in Indonesia, primarily in oil and mining, and Indonesia welcomes further outside investment. There are, however, severe restraints on the development of Indonesia's minerals and, to a lesser extent, timber resources. These are traditionally capital-intensive industries. For example, the Shell Group recently entered into a production-sharing agreement with the state-owned coal mining company to exploit extensive coal deposits in Sumatra for which the development costs are expected to exceed \$1.2 billion. Much of Indonesia's abundant mineral resources are located in the most inaccessible, primitive parts of Indonesia. Everywhere development of Indonesia's resources is characterized by large capital expenditures. Even petroleum exploration and development costs, while not reaching North Sea levels, are far in excess of other OPEC member. While Indonesia has the potential resources which eventually could make it very strong economically, it is still some distance from self-sustaining growth.

Oil dominates the Indonesian economy; and following the doubling of world oil prices in late 1973 and 1974, there was much optimism about Indonesia's prospects. This optimism was dealt a severe blow by problems encountered in 1975. In that year there was decline in demand for Indonesia's exports; a severe cash crisis in the state-owned oil company, Pertamina; a drop in foreign investment; and continued high levels of inflation.

Indonesia's oil revenues add only marginally to one of the world's lowest per capita annual income rates and Indonesia, which accounts for only about five percent of OPEC's oil production, has about half of OPEC's population. Ninety percent of Indonesia's oil is produced by U.S. companies.

Pertamina is responsible under Indonesian law for managing all petroleum activities in the country, including exploration, production, refining and marketing. It owns and operates all of Indonesia's refineries, domestic distribution facilities, and a fleet of tankers and other vessels; it is also involved in a variety of non-petroleum activities. Under the leadership of its former president, Lt. General Ibnu Sutowo, Pertamina became the leading edge of the government's development schemes. Pertamina's financial crisis surfaced publicly in early 1975, when it began having difficulties rolling over some of its short-term obligations. Rather than risk default and the attendant damage to Indonesia's credit standing, the government stepped in and assumed responsibility for Pertamina's debts, which totaled more than \$6 billion. Observers credit the government with effective handling of the Pertamina crisis but in the process Indonesia has greatly increased its debt burden. Debt service will approach the IMF "warning level" of 20 percent of total value of exports in the 1979-80 period. As a fallout of the Pertamina crisis, President Suharto announced in his budget message of January 7, 1976, that government revenues would be increased by 7.6 percent, and that this increase would mainly be "acquired through reduction of profits gained by oil companies on each barrel they produce." There then ensued a complex series of negotiations with foreign oil companies, characterized in many instances by a confrontational atmosphere. Under the new oil contract terms, Indonesia achieved an 85-15 profit (formerly 65-35) which should increase its revenues by \$350 million, or expressed another way, Indonesia's take increased an average of \$1.88 per barrel of oil, from \$6.19 per barrel to \$8.07.

In a separate, but related development, Indonesia recently has spoken in a number of international meetings on economic problems as seen by the Third World. Although its leaders continue to seek large infusions of foreign capital, they have become more responsive to domestic and foreign criticism that foreign investment amounts to "selling out the country." Because of the importance of primary products to Indonesia's economy, Indonesia is particularly concerned about better terms of trade, higher value being added in producer countries, producer control of transport and marketing, and other portions of the platform of the new world economic order. Nonetheless, while identifying strongly with the Third World, Indonesia has generally sought to play a moderating role in that group.

Indonesia has had one of the highest rates of inflation in the world over the last five years. Although the rate has declined somewhat over the past 12 months, it is currently running at approximately 20 percent per annum, significantly higher than neighboring countries and trade competitors. As a consequence, the exchange rate of the rupiah, which was set at 415 to the dollar in 1971, is under considerable pressure. Indonesia's net foreign reserves declined seriously during 1975, reaching a low point of \$442 million in the third quarter of 1975. Reserves have since staged a recovery, and as of mid-August 1976, were reported at \$1.1 billion.

Indonesia has over 135 million people living at the subsistence level and a very poorly developed economic and social infrastructure. Its trade balance has been persistently in deficit, even after oil prices rose sharply in 1974. In the first Indonesian fiscal year after the oil price rise there was a trade deficit of \$138 million which rose to nearly \$1 billion in the last fiscal year. The International Monetary Fund projects a \$1.8 billion deficit for the current fiscal year, which will be reduced somewhat by the increased take from oil profits.

Despite increased earnings from oil exports, Indonesia continues to depend on large amounts of external aid. Economic assistance to Indonesia is coordinated through the Inter-Governmental Group on Indonesia (IGGI), formed in 1967 with the purpose of helping the Suharto Government obtain external financing for Indonesia's development program. The IGGI is composed of fourteen countries, the World Bank, International Monetary Fund, and the Asian Development Bank. Through FY 1974 the U.S. and Japan each pledged under the umbrella of the IGGI to provide one-third of Indonesia's bilateral aid requests. In FY 1975 the U.S. abandoned the one-third formula with a significant reduction in its pledge. The World Bank has become the largest donor agency to Indonesia with a commitment target for FY 1977 of \$550 million. Japan, providing about \$140 million this year, is the largest bilateral donor.

There is no end in sight to Indonesia's need for external assistance, according to the development assistance community. The U.S. has provided some \$2.2 billion in assistance to Indonesia since independence. It appears to me that the large volume of assistance, especially food aid, has served as a crutch which has helped Indonesia avoid facing up to its own internal problems, particularly those relating to food production. By providing subsidized food to make up the self-sufficiency gap, the United States and other aid donors have enabled Indonesia to avoid making hard choices in national priorities of development.

The contrast between Indonesia's vast numbers of poor and the few rich is typified in Jakarta where a short distance off broad boulevards lined by huge new office buildings and hotels, lie wretched slums. In the seven years since my last visit to Indonesia there does not appear to have been any progress toward narrowing the gap between the rich and the poor. If anything, the disparity has been made more glaring, at least in the capital, by a facade of modernity and progress.

There is no land shortage in Indonesia, only an overconcentration of population. Two-thirds of its population live on two islands, Java and Bali. Java, with 1,500 persons per square mile, is one of the most densely populated areas in the world. However, there is no program at present to encourage migration to the less developed islands and the population pressures on Java and Bali mount. Indonesia is still dependent on imports to meet its needs for rice. Rice imports will total about one million tons this year, with 350,000 tons to come from the United States financed under the PL 480 program or on long-term credits.

There is an effective population planning program. It is said that five years ago the annual population growth rate was three percent; has now been reduced to 2.3 percent and the goal is to reduce it to 1.8 percent by the end of 1979. There are strong social pressures to participate in the birth control program through local "Mother's Clubs."

With the advent of the Suharto Government in 1967, the United States resumed military assistance. The first post-Sukarno era U.S.

military assistance project consisted of a modest civic action program aimed at displaying U.S. support for the new regime, a program to assist the armed forces to rehabilitate roads, ports, and irrigation systems. Military grant aid in FY 1967 amounted to only \$2.7 million. In 1970, following President Nixon's visit to Indonesia and support from it for the U.S. policy in Cambodia, U.S. military assistance multiplied and changed in character. A 1971 interagency study set as a planning guide \$25 million in MAP grant aid for each of the next five years, and aid continued at approximately this level for several years until it was reduced following general cutbacks in military aid by Congress.

Today, the U.S. Diplomatic Mission to Indonesia is staffed by a total of 231 Americans. The military mission of 70 has increased more than five-fold since my last visit in 1969. The U.S. mission, in my judgment, is overstaffed and should be trimmed back substantially.

In summary, American relations with Indonesia are good but the relationship is not as close as in the initial post-Sukarno years and it is likely to become more distant in the days ahead.

IV. MALAYSIA

Although Malaysia has a strong Western orientation, the government's official policy has been to cultivate the Third World and to take an active part in nonaligned affairs. Since 1971, it has also advocated creation of a zone of peace, freedom and neutrality in Southeast Asia and supported the proposal for an Indian Ocean peace zone. Non-alignment and support for zones of peace and neutrality are intended to insulate Malaysia, if possible, from the effects of great power rivalry in the region and in the world at large. They are also intended to give the government some leverage on international economic developments.

In 1960 the Malayan "emergency" was declared to be officially at an end, although long before this Malaysian Communist Party (MCP) Secretary Chin Peng had withdrawn the remnants of his terrorist forces across the border into Thailand. The MCP set out in 1968/69 to re-establish itself in Malaysia by sending small groups of armed terrorists back across the border to attack government security forces and to activate old underground networks in the cities and new Chinese settlements. The MCP has had some success in its campaign, but increased government counter-insurgency efforts and a split in the MCP itself have slowed this activity markedly. It is estimated that there are some 3,000 active and armed terrorists in all. At present, the terrorists are a nagging and expensive annoyance but they do not pose a threat to the government or to the daily life of the country at large.

The U.S. has no major programs in Malaysia. There has never been an aid program, a military assistance agreement or bases. The Peace Corps with approximately 60 volunteers is the largest U.S. program. It is designed to supply experts to fill gaps in government programs in education, health and agriculture pending the training of Malaysians. In addition to the Peace Corps, the United States has a small military training program through which 40 to 60 Malaysian service personnel are sent to the U.S. each year for training. There also is a

military credit program which amounted to \$17 million in fiscal year 1976 and will total approximately \$5 million in fiscal year 1977, financing items such as F-5E and F-5B aircraft, C-130 transports, helicopters and armored cars.

Relations between Washington and Kuala Lumpur are cordial but not intimate. Prime Minister Datuk Hussein Onn has publicly expressed his desire to see a continued U.S. economic and diplomatic presence in Southeast Asia but his government is also conscious of the need to preserve its distance from all of the major powers. It maintains correct relations with both the Soviet Union and the People's Republic of China and has offered technical assistance to Vietnam. It sent an ambassador to Hanoi in October. Although Malaysia is concerned about Vietnam, it sees no alternative to bringing it into association with the other nations of Southeast Asia.

The United States is one of Malaysia's most important customers, taking, for example, 40 percent of its most significant export, natural rubber. Bilateral trade in 1975 involved exports to this country of rubber, tin, palm oil and timber products amounting to \$536 million. Malaysia imported \$394 million worth of U.S. machinery and transportation equipment, manufactured goods, chemicals and other products during that same year. U.S. investment in Malaysia rose to an estimated \$450 million in 1975. The main component is petroleum exploration and exploitation but the investments also involve extensive participation in the electronics industry.

All signs point to continued economic expansion. Financial reserves are ample, the country is a preferred borrower. The security problem is currently manageable. If peace and stability in the region continue, Malaysia prospects are encouraging for the foreseeable future.

V. SINGAPORE

Singapore, a city state of some 3 million, has utilized its geographical location, its excellent harbor, and a skilled populace to reach a level of development unparalleled in Southeast Asia. Singapore's \$2,500 per capita GNP is exceeded in Asia only by Japan. Its well-being is dependent on the state of the world economy and on the cooperation of its neighbors, Indonesia and Malaysia, which provide the goods and markets for the Singapore entrepot and the raw materials for Singapore's factories.

Seventy-six percent of Singapore's population are descendents of the Chinese migrants who for centuries have moved to Southeast Asia in search of greater opportunity. Both Malaysia and Indonesia also have Chinese minorities (36 percent in Malaysia, about three percent in Indonesia) which dominate their commerce and are visibly wealthier than the ethnic majorities. In both countries there is a heritage of mistrust and tension between the Malay/Indonesian and the ethnic Chinese communities, reflected in varying degrees in the attitudes of their governments toward Singapore.

Although Premier Lee Kuan Yew, who has been in power for seventeen years, visited Peking last May, Singapore has not yet established formal diplomatic relations with China, stating that it will not do so until after Indonesia has acted. Singapore is an active member of ASEAN and has pressed for the elimination of trade barriers and greater economic cooperation, to the discomfort, in particular, of less economically developed Indonesia. Internationally, Singapore is osten-

sibly non-aligned. Its commitment to free enterprise and its reliance on the world market, however, have given its policies a generally pro-Western bias. In its security relationships, for example, Singapore has until recently looked primarily to the Five-Power Defense Arrangement (FPDA) that links it—along with Malaysia—to Britain, Australia and New Zealand. Last March, Britain completed withdrawal from its naval base in Singapore. However, a small New Zealand Army unit is still based there.

Singapore's vulnerability, especially to outside economic pressures, requires the government to exercise special care in not antagonizing other countries unnecessarily. For example, the dependence of the huge Singapore oil refining complex, third largest in the world, on Middle East crude is a prime element in shaping Singapore's cautiously neutral position toward Arab-Israeli issues. Prime Minister Lee has been outspoken about the importance of maintaining a great power balance in the region. He believes that the Soviets will not voluntarily limit their presence in the area and that, therefore, there should be no pressure on the United States to leave the region. Indeed, Lee has implied that it is necessary to encourage the United States to maintain a suitable presence both in Southeast Asia, as well as in the Indian Ocean.

The attitude of Lee and his government toward the presence of the major powers in Southeast Asia stems in part from Singapore's position as an ethnic Chinese city-state. Aware of the potential pull of the Chinese homeland, Lee has been reluctant to follow the Malaysians, Thais and Filipinos in establishing relations with Peking. On the other hand, because Singapore is situated in an area dominated ethnically by Malays, Lee prefers the region to be open to the peaceful competition of the great powers provided no single power is dominant.

Since the communist victory in Indochina, Lee has looked to the United States for support in the security field. He is especially concerned over the implications of the insurgency in Malaysia. Modern equipment has been procured in the United States on commercial terms. Singapore recently contracted to purchase a squadron of F-5E's with air-to-air missiles. Singapore's decision to acquire a substantial portion of its military equipment and service requirements from the United States is consonant with the overall cordial bilateral relationship. Singapore is not only a major trading and investment partner of the United States, it also grants this Nation access to its naval and air facilities. Soviet ships also bunker and replenish at Singapore's docks. Chinese ships also stop there.

Because of the "openness" of the economy, Singapore is extremely vulnerable to foreign trade fluctuations. The manufacturing and foreign trade sectors have been seriously impacted by the world recession and the shrinkage in international trade. But barring unforeseen circumstances, there should be a six to eight percent increase in economic growth in 1976. Inflation has not been a problem recently, amounting only to three percent in 1975.

Singapore maintains one of the most attractive investment climates in East Asia. There are no significant limitations on foreign equity participation or in the employment of expatriate management staffs. Financial inducements, usually in the form of tax forgiveness, are available to those companies engaged in lines of production involving high technology and intensive capital investment. Responding to these en-

ticements and to the advantages offered by Singapore's location and its efficient administration, American private investment stands at nearly \$1 billion. It constitutes the island's single largest source of private foreign investment. It is estimated that one-fourth to one-third of the Americans in Singapore are there in connection with oil drilling operations in the area but, because of a falloff in activity, their population may be reduced by one-half in coming years. Twenty drilling rigs are now in mothballs.

Singapore is eligible for preferences under U.S. tariff laws and in response to a request of the Singapore government, the product eligibility rules were broadened recently to take Singapore's entrepot economy into account.

VI. PAPUA NEW GUINEA

Newly independent Papua New Guinea is an important bridge between Southeast Asia and the Southwest Pacific, with 85 percent of its land area made up of the eastern half of the massive island of New Guinea. Irian Jaya, the western half, is a province of Indonesia.

American missionaries have been in New Guinea for decades and more than 2,500 are there today. Over a million American servicemen went through Papua New Guinea during the Second World War and they are remembered with fondness. General Douglas MacArthur is recalled with special respect.

While the United States does not have any vital interests in Papua New Guinea, the nation plays a role in U.S. objectives for the Pacific. U.S. strategic interests in the area are supported by the maintenance of harmonious and cooperative relationships between Papua New Guinea and Australia and Indonesia; the denial of bases and other local facilities to potential enemies; and the continuation of the country's political unity and stability.

The U.S. Mission is small, highly regarded and effective. Papua New Guinea's leadership is well disposed toward the United States, and has pursued moderate internal and foreign policies. There is no U.S. aid program, not even a Peace Corps presence and in my judgment it should remain this way.

Papua New Guinea became a sovereign nation on September 16, 1975. Its leaders have since demonstrated a capacity to lead the country effectively even when confronted with a number of difficult problems, including a secessionist movement on the copper-rich island of Bougainville. Several important economic developments have occurred during the past year. For Papua New Guinea, the most crucial was an aid commitment by the Government of Australia for \$1.2 billion over the next five years. The Government of Papua New Guinea has encouraged direct foreign investments under increasingly hospitable terms. Moreover, during the period of economic stagnation and decline in revenues from basic commodities, not once did the Government attempt to align itself with the more extreme positions of the Third World to curtail supplies or attempt to manipulate the market by artificially created higher prices.

Papua New Guinea is one of the world's least tapped sources of natural resources. Copper, gold, silver and zinc are some of the minerals known to exist in commercially profitable quantities. Gas has been found, and oil is thought to be there. A wide variety of tropical

produce can be grown. Access to tuna fishing grounds and timber resources are eagerly sought after by foreign companies. The ratio of resources to its population is very favorable. With fewer than three million people and a population density of seven persons per square mile,*Papua New Guinea is much more favorably endowed than most developing countries. Economic aid from Australia has provided the basis for the beginnings of the infrastructure without significant international indebtedness.

The present government has had almost five years' experience in running the country; the country's political institutions are operative; the army has stayed out of politics and is loyal to the government; the country is at peace with its neighbors; its international problems are minor; there is a strong egalitarian tradition among the people; and there are no ideological hangups.

On the other hand, Papua New Guinea suffers from difficult divisions of geography and language and from wide variations in degree of development. The rapid pace of modernization is leaving large sections far behind, with sophisticated political and economic systems imposed on a primitive tribal society. Only 15 percent of the people are literate. The leadership of the country is painfully small in number, and the supply of trained manpower is quite inadequate. The people have high expectations. Tremendous opportunities which are available to trained young people are leading them to focus more on their own careers than on the country's future. An elite has been created which could easily become divided from the people.

The government is beginning to display greater receptivity to foreign private investment. Several large projects are now pending and, if approved, they will eventually provide tax revenue, export earnings, and jobs. The lead time for most of them is six to ten years, but they will require construction workers to build roads, bridges and houses before becoming operational. The projects now under construction include a U.S. Steel sponsored gold mine (\$200 million), three copper mines which will be developed by international consortia, and a fish canning project. In addition, natural gas exploration is being conducted by a Japanese consortium and oil drilling is taking place in three localities under the aegis of a U.S./Australian/British consortium. Further down the road is an enormous hydro-electric project which will require billions of dollars to develop but which is expected to create large amounts of relatively cheap electricity.

Papua New Guinea is an inward-looking country absorbed in its own affairs. It is at peace with its neighbors and has no pressing problems of foreign policy. Its basic policy has been described as one of having "no friends and no enemies." The government does not want to be involved in great power struggles and does not want aid from the United States, the Soviets or the Chinese. "We are neutral to everybody;" a national leader said to me, "if you come as friends, we are not interested in ideology." The nations most relevant to Papua New Guinea's future are Australia, Indonesia and Japan. Australia is important because of the long and close association, a very large aid program and the significant role of Australian business in the economy. Indonesia is important because it shares the boundary which divides Papua New Guinea from the Melanesians of Irian Jaya. Japan is of growing importance as a main competitor with Australia in the

nation's economic relations. Papua New Guinea also has close ties with the other small Pacific island countries. Ethnic and emotional considerations enter into these ties but in economic terms, it is becoming increasingly evident that the Philippines and Indonesia will be of far greater significance than the coral atolls of the Pacific.

Papua New Guinea is pursuing a foreign policy of fostering a correct friendship with larger countries and avoiding the making of enemies. It is likely to stay somewhat apart from the Afro-Asian bloc countries, and to abstain from involvement in issues not directly affecting the South Pacific. It has diplomatic relations with both the Soviet Union and China, but there is concern over the possibility of a Soviet presence in Tonga and the Chinese presence in Western Samoa.

With its great and developed natural resources and its proximity to resource-poor Japan, it is also concerned with that nation's economic dominance in the region. There is interest in having the United States and other nations increase their economic involvement as a balancing factor, "Investment possibilities are here," a leader said to me: "Mention anything, we have it here." Papua New Guinea is, in truth, a storehouse of vast potential in a world of dwindling resources as well as a bridge between Southeast Asia and Southwest Pacific. It wants outside capital for resource development, but only on its terms.

While it is a new nation with many problems, Papua New Guinea is taking the long view in its relations with the world. "We are friends," Sir Maori Kiki, the Acting Prime Minister said to me. I hope that the relationship between our countries will remain cordial. There are no outstanding contentious issues between us and there exists a wide basis of understanding.

VII. CONCLUDING COMMENTS

Since this report completes the general survey of U.S. policy in Asia and the Pacific which I began last July, I will conclude with a number of comments about certain specific matters which relate to that policy.

American policy in Asia is now grounded on the fact that the United States is not an Asian power but a Pacific power. The difference is more than semantic. It is the difference between a sensible acceptance of the realities of Asia and dangerous illusions of military omnipotence. What takes place in the vast region of Asia, of course, is of concern to Americans. But concern and control are quite different matters. Simply stated, America's principal long-range interests in the Pacific are to discourage domination of the region by any single power, to maintain friendly relations with China, Japan and other nations and to lessen tensions which could trigger either a local or a great power conflict in the area.

In my estimation the United States position in Asia and the Pacific is more favorable than it has been since the end of World War II:

There is no war.

We enjoy good relations with all nations except North Korea and the countries of Indochina, which the Executive Branch has chosen to ignore.

After the tragedy of Indochina, both we and the nations of the region have a better understanding of what it takes to live in peace in a diverse world.

There are no American troops in Southeast Asia or anywhere else on the Asian mainland except in South Korea where 40,000 remain.

The economic burden of U.S. political involvement in the area has lessened.

The foremost problem for American policy regarding Asia is to complete the normalization of relations with the People's Republic of China.

The partnership between the United States and Japan remains as a fundamental pillar of American policy in Asia. It must be a partnership of equality; the post-war era of patron-client is over. Japan's continued trust in the validity of the United States security commitment is essential to the maintenance of stability throughout the region. This country ought not to provide the grounds for Japanese to doubt the U.S. security guarantee or to make a significant change in their domestic policy. A Japan embarked on major military expansion would unsettle all of Asia. U.S.-Japan relations are good but they could be better and it behooves us to avoid the further shocks of sudden policy shifts without notice.

Korea is a time bomb which must be defused. The United States' objective should be to try to bring about a settlement between the two Koreas and, in the interim, to ease tensions and lessen the possibility for a resumption of hostilities. U.S. policy should not be hostage to any particular government in Korea, or anywhere else for that matter. Our forces in this last U.S. bastion on the Asian Mainland should be reduced over a period of time, after consultation with Japan, and all nuclear weapons should be removed from the peninsula.

In Southeast Asia, the foremost task for U.S. policy remains to adjust to the realities in Indochina. The current policy of opposition to trade and diplomatic relations with Vietnam and Cambodia and to Vietnam's application for membership in the United Nations, as well as the failure to send an Ambassador to Laos has something in it of the ostrich complex. The fact is that just as China was not ours to lose in 1949, neither was Indochina a quarter of a century later. It is time that the United States act toward the governments of Indochina in a spirit which seeks to heal the wounds of war and therefore, enhances the prospect for a final accounting of the missing in action. Vietnam is a major force in Southeast Asia and it is in this nation's long-range interest to accommodate to that fact.

The remnants of a long-time U.S. military involvement, a smouldering insurgency in the Northeast, a genuine fear of North Vietnam's intentions, and the continued existence of the SEATO treaty commitment to Thailand, all add up to a sensitive and volatile situation for the United States in Thailand. There should be no resumption of the vast array of U.S. activities once carried out in Thailand, and the SEATO commitment should be terminated.

The era of U.S. military adventure on the Asian Mainland is over. We now have a more realistic view of what, as a practical matter, can and cannot be done on that continent. We know that it is not possible, or even desirable, to remake ancient cultures in our own image. There is a sober realization of the limits of America's resources and power. As was true of America in the past, the America of the future will be the beacon to the world, not because of military might or foreign

aid but because of what it stands for in furthering aspirations for freedom and human decency.

There is an agenda of unfinished business in Asia and the Pacific, to be sure. But the problems are manageable. What is needed is the will to clear away the last relics of out-dated policies, to learn from the past, and to face up to the present and the future.

94th Congress }
2d Session }

COMMITTEE PRINT

THE END OF THE POSTWAR ERA

TIME FOR A NEW PARTNERSHIP
OF EQUALITY WITH JAPAN

A REPORT

BY

Senator MIKE MANSFIELD
Majority Leader, United States Senate

TO THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

REPORT NUMBER ONE



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LETTER OF TRANSMITTAL

AUGUST 2, 1976.

Hon. JOHN SPARKMAN,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: As you know, with the Committee's permission, during the July recess I made an official trip to Japan to study major United States foreign and security problems in the Far East with emphasis on United States relations with Japan and Japanese attitudes concerning a number of matters of mutual interest, such as issues involving the People's Republic of China, the Soviet Union, and Korea. I am hereby transmitting my report on that trip. A confidential report has been sent to the President.

I was in Japan from July 9 through July 16, when I returned to Washington. While there I received a thorough briefing from Ambassador James D. Hodgson and his staff concerning political, economic, and security matters. I also had an informative briefing from Lt. General Walter T. Galligan, USAF, Commander, U.S. Forces Japan, and his staff concerning the status of U.S. military bases and personnel in Japan. Both Ambassador Hodgson and General Galligan were most helpful and cooperative.

I met with a number of officials of the Japanese government, each of whom was most generous with his time. Among those with whom I held discussions were Prime Minister Takeo Miki; Deputy Prime Minister and Director General of Economic Planning, Takeo Fukuda; Foreign Minister Kiichi Miyazawa; Director General of the Japan Defense Agency, Michata Sakata; and Finance Minister Masayoshi Ohira. My conversations with each official covered a wide range of subjects and thus gave me a broad cross section of opinion within the Japanese government on many matters of common interest.

In addition to these meetings, I had an opportunity for informal discussions with Deputy Minister of Foreign Affairs Keisuke Arita and several of his colleagues, former Japanese Ambassadors to the United States Takeshi Yasukawa and Nobuhiko Ushiba, and others.

I was accompanied on the trip by Mr. Francis R. Valeo, Secretary of the Senate, and Mr. Norvill Jones of the Committee staff. In order to obtain further information concerning the Korean problems and the Taiwan issues, as they relate to Japan, I sent Mr. Valeo to Korea and Mr. Jones to Taiwan following the completion of my schedule in Japan. At my request, Mr. Jones also inspected the U.S. military base situation in Okinawa on his way back to Washington.

I wish to express my appreciation to the Department of State for making my travel arrangements; to Ambassador Hodgson and his staff for their assistance and many courtesies; to General Galligan and his staff for the briefing and other helpful information; to the Congressional Research Service of the Library of Congress for assembling background materials; to the Department of Defense for assistance in the field to Mr. Valeo and Mr. Jones; to Mr. Valeo, who, as a former consultant to the Committee on Foreign Relations, has accompanied me on many past missions abroad, and to Mr. Jones of the Committee staff, who has also accompanied me on a number of past missions, for their assistance in connection with the trip.

Sincerely yours,

MIKE MANSFIELD.

THE END OF THE POSTWAR ERA—TIME FOR A NEW PARTNERSHIP OF EQUALITY WITH JAPAN

I. IMPORTANCE OF THE UNITED STATES-JAPAN RELATIONSHIP

One hundred and twenty-three years ago Commodore Matthew Perry led four U.S. naval vessels into Tokyo Bay, opening Japan to the outside world after more than two centuries of isolation. A new relationship began for our two countries, a relationship which, over the years, has moved through a broad spectrum, from friendship to war and back to friendship again. It is commonplace to say that there is a special relationship between our two countries. But this is an inadequate term to describe the interdependence and mutuality of interests that have come to bind our countries together. A stable Japan, which poses no military threat to the nations of Asia, is essential to stability and peace in the Pacific and the world. Although it lacks military power, Japan is the world's third ranking economic power and second only to the United States among the industrial democracies. In this sense, it is a factor to be reckoned with in its capacity to influence the flow of international events.

Aside from the umbrella of security provided by the mutual security treaty, the United States relationship is essential to Japan as a source of food, raw materials, and as a market for Japan's industrial output. To the United States, far less dependent on world markets for economic well-being, the Japanese tie is essential in a different, but no less important sense. It is a fundamental pillar in present U.S. foreign policy whose goal is continued stability in the Western Pacific. Geography and history, combined with the genius and industry of the Japanese people, have made Japan a keystone of that policy. The waters of the Pacific lap the shores of all the world's major powers—the United States, the Soviet Union, China, and Japan—and it is in the environs of the latter country that the interests of all are most entwined. For this nation which has fought three wars in Asia within a generation, the role of Japan in the structure of peace in the Pacific will continue to be of utmost importance in the years ahead. It is in the interest of both peoples to work at strengthening this unique relationship.

The visit by Commodore Perry began what became the first of a series of ups and downs in relations between Japan and the United States. Unlike our ties with Great Britain, language and cultural differences have been obstacles to mutual understanding between Japanese and Americans. Trust does not come easy under these circumstances. Extraordinary efforts by both sides are necessary. As Professor Edwin Reischauer, former U.S. Ambassador to Japan, wrote recently, this difficulty is compounded by the fact that: "We for

our part have lingering traces of the unquestioned nineteenth century assumption that the West was in all ways superior to the rest of the world."

Since the post-World War II occupation began, Americans have had a tendency to take the Japanese tie for granted. The Nixon "shocks" arising out of a failure to consult on measures to support the dollar, to suspend soybean exports, and on the new China policy have not been forgotten. There should be no more such unnecessary and undiplomatic treatment of our closest major ally in the Pacific.

II. FOREIGN POLICY AND SECURITY

Japan is an island nation. That, and an astute foreign policy have relieved its people of any discernible fear of attack from abroad. It enjoys good relations with all of the major powers and diplomatic and commercial relations with practically every nation of the world. A security commitment from the United States permits the spending of less than one percent of its gross national product for defense purposes. Japan's foreign policy, which is built around the umbrella of the security pact with the United States, has paid rich dividends by freeing resources for economic growth that would otherwise be devoted to unproductive military spending.

Article IX of the Japanese Constitution is the foundation of Japan's external policies. It states:

Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes.

In order to accomplish the aim of the preceding paragraph, land, sea and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.

Within these constraints, Japan has, like a Phoenix, risen from the ashes of defeat and humiliation into a unique position on the international scene. There is widespread public sensitivity among the Japanese to all military issues, particularly to those involving nuclear weapons. Japan's status as an unarmed, economic giant in a world bristling with weapons of mass destruction has contributed greatly to the easing of bitter memories of Japanese militarism, to the opening of doors to Japanese economic dynamism, and to a more stable international environment, notably in Northeast Asia.

Japan maintains only a small Self-Defense Force consisting of some 240,000 men. Recruitment for even this small force is difficult. At bottom, Japan's real security, aside from the U.S. commitment, is entrusted to effective foreign policies.

Following in the path of the Nixon visit to Peking, Japan established diplomatic relations with the People's Republic of China on September 29, 1972, but a Sino-Japanese peace treaty to end the formal state of hostilities from World War II has not yet been concluded. It is stalled by a dispute over Chinese insistence on an "anti-hegemony" clause. Although agreeable in principle to such a clause, the Japanese confront the fact that the Soviet Union has indicated that such language in a treaty would be considered an unfriendly act. Negotiations with China have been at a stalemate since last year. Meanwhile, trade and other relations with China continue, with \$2.5 billion in exports to China and \$1.5 billion in imports from China in 1975, three times the level of trade in 1970.

Under the "Japanese formula," Japan also maintains economic and cultural relations with Taiwan. The nation's interests on Taiwan are represented by the unofficial organization designated the "Japanese Interchange Association," which is headed by a former Japanese ambassador. The association is financed primarily by private funds. Taiwan's interests in Japan are represented by the Far East Association. The personnel of neither organization have any form of diplomatic status or immunity.

Other countries which recognize the People's Republic of China look after their trade or cultural interests in Taiwan through varying types of organizations: Great Britain through the Anglo-Taiwan Trade Committee; Germany through the Goethe Institution; Spain through the Cervantes Center; and the Philippines through the Asian Exchange Center. Taiwan has developed a web of relationships in order to handle specific circumstances which may be involved with any individual country.

The "Japanese formula" has worked well for Japan. Since formal diplomatic recognition of the People's Republic of China, trade, investment, and travel between Taiwan and Japan have all expanded. Trade has more than doubled—to \$2.5 billion last year—and accounts for 22 percent of all Taiwan's trade (the U.S. accounted for 31 percent of Taiwan's trade in 1975—\$3.47 billion).

With regard to the Soviet Union, Japan has yet to conclude a World War II peace treaty, the matter being snagged over four islands north of Hokkaido claimed by both Japan and the Soviet Union.¹ No break in the impasse is in sight. There is in Sapporo, the principal city of Hokkaido, a "Movement for the Reversion of the Habomais." The agitation which this group fosters from time to time is tempered by the realization that the Soviet Union is in a position to curtail fishing rights which are of significance to the Japanese. Moreover, there is a substantial general trade with the Soviet Union, although it is somewhat less than commerce with China. Last year exports to the U.S.S.R. were \$1.62 billion and imports \$1.17 billion. With regard to the status of Japanese joint ventures with the Soviets in the development of Siberia, many projects have been discussed but only two, natural gas and timber, have made progress. Others seem to be "fading away," as one Japanese official put it, due in part apparently, to the reluctance of U.S. private interests, which were also involved, to pursue them at this time.

Japanese officials are concerned about the increase in Soviet naval activities in the Western Pacific, citing in particular an increase in the activities of intelligence vessels. While I was in Japan, Soviet ships and ASW aircraft were conducting maneuvers in the Okinawa area. Insofar as Japan is concerned, the increase in Soviet naval operations in the Western Pacific is viewed, one involved official said, as constituting "a potential threat to Japan—but it is not overt yet." He went on to say that the Soviets were also engaged in a "cultural offensive."

Developments in the situation on the Korean Peninsula are reflected in Japan, in part, through the large Korean community in Japan, which is divided in its sentiments about the problems of the Peninsula.

¹ The Islands in dispute are: Etorofu, Kunashiri, Shikotan, and Habomai.

Some favor the North and others support South Korea and Japan is frequently drawn into difficulties arising from this division. There is also a deep-seated historic concern in Japan with the impact of developments in Korea on Japanese security.

The traditional overland invasion route to Japan has been via the Peninsula. While this route has also operated in the other direction, the fact is that in present circumstances both Soviet and Chinese military power which might approach by way of Korea appear overwhelming to Japan. Those Japanese given to nightmares in this matter, moreover, note that if the Koreans of the North and South should ever get together, their combined armed strengths would be four or five times greater than Japan's lightly armed self-defense force.

It is clear that a military conflict between North and South Korea could pose a threat to Japan especially if it were to draw in great powers as would be almost inevitable. Indeed, a breakdown of order in South Korea alone would create serious difficulties for the Japanese who have developed a major trading relationship of about \$4 billion annually with Seoul² and, in addition, have large investments in Korea.³

There is little that is apparent in the current Korean situation to feed these Japanese anxieties. The Republic of Korea, functions under a government which is for all practical purposes, a military-bureaucratic authoritarianism under the control of President Park Chung-Hee. Two years ago there was still protest and agitation for political freedom on the part of intellectuals, religious groups and others but that has now ceased. Civil liberties are in abeyance and fear of prison or death has silenced the opposition. The Park Administration is said to have considerable popular support. Certainly, it has the backing of the military establishment and the acquiescence if not the active support of major industrial and commercial groups. It has, of course, official support from the United States and, probably, from other foreign sources. The government, in short, gives the appearance of stability.

Moreover, the South Korean economy has been converted into a modern establishment which is second only to Japan among Asian nations. Its peoples are industrious and dexterous and, in the space of two decades, have developed a great range of modern industrial skills. Recent concentration on the improvement of agriculture has resulted in a rapid growth in the output of food to a point that is now close to adequate for maintaining the population.

Presently, the nation is in the midst of a boom, with industrial production expanding at the rate of 20 percent a year. The growth in GNP is running between 6 percent and 8 percent which, in the face of a drastically declining birth rate, is said to be bringing a great improvement in general living standards.

The Korean economic transition has depended heavily on U.S. economic aid, a program which is drawing to a close. The vestiges are calculated at about \$40 million in the pipeline and, approximately \$300

² Japan also has very limited trading contacts with North Korea, which, for the present have been suspended due to the inability of Pyongyang to make payment for past purchases.

³ One readily recognizable yardstick of this investment: all black and white Sony T/Vs which are distributed by Japan are now made in South Korea.

million in agricultural products, under a PL 480 agreement. An investment guarantee program continues to operate and is a significant factor in the inflow of private capital.

Korean trade is still closely tied to the United States and Japan, with the latter, in particular, providing a funnel for the outflow of Korean manufactures. However, the Koreans are beginning to develop independent commercial contacts with the rest of the world and Korean firms are said to have written in the neighborhood of \$2 billion of contracts to undertake construction in the Middle Eastern oil countries. Seoul is attracting an increasing inflow of businessmen from that region and from all other parts of the world, except Latin America and Africa.

The Korean capital city which now contains about 7 million persons is the center of industrial and commercial activity. It is a dynamic modern city in the midst of a building boom. It should be noted that the building includes deep concrete tunnels everywhere which are designed to relieve heavy surface traffic but which could serve as shelters in the event of war.

It is not possible to find in the present situation a persuasive reason to believe that war is imminent. Along the 38° parallel, except for occasional localized personnel clashes and a two-way loud-speaker propaganda war, all is quiet. The International Commission (Czechoslovakia, Poland, Switzerland and Sweden), as it has been for more than two decades, is present in the Zone. North Koreans and U.S. and South Korean military personnel continue to maintain rigidly formal contact, with occasional quarrels across the conference table that stand astride the 38° parallel. While the southern approaches to the demilitarized zone run through a kind of no-man's land, it is said that 40,000 tourists and other visitors a year pass through them to the 38° parallel. North Korea also has its flow of tourist buses carrying Koreans and other visitors from Communist countries to observe the dividing line.

The Soviet Union and the People's Republic of China are believed to have exercised a restraining influence on Pyongyang in order to prevent a precipitous rekindling of the war. However, Kim Il-sung, the Northern ruler, asserts that there is no intention to seek unification of the country by military means. The two sides continue to meet periodically at a very low level of Red Cross contact to seek unification by other means but progress to date has been completely absent.

In the South, the government stresses continuously the danger of invasion from the North and concentrates on the improvement of its military forces. The modernization program, except in regard to the Navy, is well-advanced. The U.S. aid-subsidy of the Korean military establishment is now largely provided under the military purchase program. The Koreans are assuming an increasingly larger share of the cost of their military establishment.

Notwithstanding these developments, the presence of U.S. combat forces in the South is seen as the critical factor in preventing an invasion from the North. There is deployed in the South, a contingent of about 40,000 U.S. servicemen. Except for small economy-induced reductions, the number has not been lowered in many years. Even those who stress most heavily the role of these forces in preventing a renewal of conflict do not argue that the total cannot be reduced in a gradual way over a period of years or, even, eventually be withdrawn. Any sug-

gestion of rapid withdrawal, however, is a source of profound anxiety to South Korean officials, even more perhaps than to the Japanese. Some estimates are that the present structure in South Korea would have no more than a 50-50 chance of survival without the U.S. military presence. However, the Administration has made clear that the United States has no intention of withdrawing precipitously and, similarly, the Congress has not taken any measures which would compel a precipitous withdrawal. In short, the situation insofar as the U.S. forces are concerned is one of stability.

It is a stability, however, which is underlain with uncertainties. In the first place, the economic progress which is probably a mainstay of public acquiescence in the present government rests on an extremely fragile base. It is dependent almost entirely on the import of raw materials and the export of industrial surpluses which are produced competitively largely by the comparative advantage of a low wage scale and investment guarantees. Any tremors in either the economy of Japan or the United States tend to become earthquakes in South Korea.

In the second place, although the present government is fully aware of the aversion which exists in segments of Congressional and other opinion in the United States regarding its authoritarianism, it appears to have no intention of modifying the present political structure. Its view is that this structure is not only necessary for defense against the North but is essential to the kind of economic progress which is being fostered in the South.

Finally, there is the question of U.S. military withdrawal. The question is often asked: how long will the commitment last? Clearly, a precipitous pullout by the United States, even if it did not open the door to military attack from the North would shake the government of South Korea to its very foundations. The reactions of an embittered political opposition and from within the military establishment are not measurable. Moreover, it is entirely possible that the deep-seated sentiments for Korean unification would surface in both North and South. The potential for spreading instability would be very great. Notwithstanding outward appearances, then, the basis for the Japanese concern regarding the Korean Peninsula is very real. In short, Korea is a time-bomb which has yet to be defused.

Looking at Asia in general, there is a strong mutuality of interests shared by Japan and the United States. Japan is a firm supporter of ASEAN, the Association of Southeast Asian Nations, as a new force for economic cooperation and progress in Southeast Asia. Japan is also interested in working toward broadening the regional concept of ASEAN to bring the nations of Indochina into the current membership: the Philippines, Thailand, Malaysia, Singapore, and Indonesia. Regional cooperation for peaceful purposes is a concept which appears to have broad support in Japan and, if pursued, should contribute to Asian stability and progress. "Poverty and peace," one Japanese official put it, "cannot co-exist."

As to national security matters, in June the Japanese Defense Agency issued a Defense White Paper, the second since the end of World War II. The basic objectives of the paper were to stimulate discussion of Japan's defense posture and to strengthen public support for the Government's program to upgrade the quality of these forces

(the text of the paper is printed in the Appendix). The report is premised on a continuation of the international status quo between the United States, the Soviet Union, and China and no change in Japan's ultimate dependence on the U.S. security guarantee.

Basically, the report takes an optimistic view of the international situation for Japan and assumes that any U.S.-U.S.S.R. conflict will not spill over to affect Japan. It rejects a nuclear option, stating that:

If Japan should take a nuclear option, even for a purely defensive purpose, her actual possession of nuclear arms will create serious suspicion and fear on the part of other nations.

The international environment on which Japan's defense policy will be based is described as assuming:

(a) that the U.S. and the Soviet Union will try to avoid an inter-continental nuclear war and an armed conflict which might lead to their full-scale involvement.

(b) that the Soviet Union will continue to face many European problems—a NATO-Warsaw Pact confrontation and the control of East European nations, among other matters.

(c) that Sino-Soviet relations, if improved partially, will most unlikely lead to an end of confrontation.

(d) that in Sino-U.S. relations, a further adjustment will continue on a reciprocal basis, and

(e) that the status quo, more or less, will be maintained in the Korean Peninsula where a minor incident would not escalate to a large-scale conflict.

Japan's view of the U.S.-Japan security relationship is described this way:

(a) The system is generally understood to play the role of preventing aggression against Japan from actually taking place, and of limiting the scale of an invasion, should it ever be undertaken.

(b) The system is also instrumental in providing the U.S. forces with facilities and areas for their use, which in turn make their presence tenable.

An integral part of the basic framework of international relations in Asia, the system thus contributes to the stability of the world and the maintenance of peace. Finally, but not the least importantly, it is the indispensable base of the wider spectrum of friendly U.S.-Japanese relations.

Clearly, reliance on the U.S. commitment remains strong on the part of the Japanese government, and close observers say that there is less controversy now over the U.S. security treaty than at any time since the relationship was formalized twenty-four years ago. There is now a more rational, less emotional, public dialogue over security issues than in the past. I found no indication that the fall of Indochina had resulted in any lessened confidence in the U.S. commitment, although there was some initial nervousness.

The White Paper emphasizes that Japan's defense objective is "on qualitative improvement rather than on quantitative expansion in the planned buildup of our defense capability." Defense Minister Sakata described the basic concept, as one for a "small armed force, but a bigger load" for Japan. The Japanese view, in this connection, should be respected. It behooves us to be very cautious in taking any step that could be interpreted by Asians, or by the Japanese people, as pressing the Japanese government to make a quantitative increase in the size of its defense force or to change its defense posture in a significant way.

This year Japan will spend .089 percent of its GNP and 6.17 percent of the government budget for defense, compared with current defense

spending totaling 5.5 percent of GNP and 24.8 percent of the budget by the United States. Japan ranks tenth in the world in military spending but at the bottom in relation to per capita income, GNP, or as a portion of the overall budget.

Agreement has been reached to establish a joint Defense Cooperation Subcommittee to operate under the U.S.-Japan Consultative Committee on Security, the basic focal point for discussion of security treaty matters. The Subcommittee will have the responsibility to discuss guidelines for military cooperation between the two countries in the event of an emergency. Officials on both sides place much value on the new subcommittee, seeing it as a symbol of a new spirit of cooperation on security matters.

A. U.S. bases and personnel

United States bases in Japan, particularly those on Okinawa, are still a source of tension although the situation is easing with continued reduction in the number of bases and the drawdown of military personnel.⁴

Article VI of the U.S.-Japan Security Treaty provides:

For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, aid and naval forces of facilities and areas in Japan.

In 1952, according to the Japan Defense Agency, there were 2,824 U.S. military facilities in Japan, of all sizes, covering 334,100 acres, and occupied by 260,000 U.S. servicemen. These facilities have now been reduced to 136 and take up 125,089 acres; they range in significance from the huge Kadena Air Base on Okinawa to a single antenna site taking less than an acre. Most are small facilities with few people attached. There are still 50,000 U.S. servicemen in Japan, along with 43,220 dependents and 3,768 civilian Department of Defense employees. Land for the bases is provided rent-free. The rent on privately owned land is paid to the landowner by the Japanese government. Thirty-eight of the facilities are used jointly by U.S. forces and the Japanese Self-Defense Forces. More than half of the base acreage and nearly two-thirds of the personnel are located on Okinawa. Other than those on Okinawa, measured by the number of personnel attached, there are only seven major U.S. bases:

	<i>U.S. military personnel attached</i>
1. Yokota Air Base—Headquarters, U.S. Forces Japan and of the 5th Air Force-----	4, 122
2. Camp Zama—Headquarters of the U.S. Army in Japan-----	791
3. Yokosuka—Headquarters, U.S. Naval Forces in Japan-----	1, 876
4. Iwakuni Air Station—Air Base for First Marine Air Wing-----	5, 102
5. Atsugi Naval Air Facility—7th Fleet Naval Air Facility-----	614
6. Misawa Air Base—Air Force Base-----	3, 081
7. Sasebo—Naval base-----	168

⁴ What has happened on the northern island of Hokkaido is a microcosm of the kind of contraction in the U.S. presence in most parts of Japan over the last quarter of a century. At the end of World War II, the military occupation introduced 13,000 U.S. troops into Hokkaido, mostly centered on the capital city of Sapporo. At least a division remained during the Korean War. In 1959, the airfield for Sapporo reverted to Japan and U.S. forces were cut back to a communications unit. By 1970, only a guard unit of 200 men remained. It was not until June of 1975 that this unit was withdrawn. What is left of the U.S. military presence is a Coast Guard "LORAN" unit on the Hokkaido coast. The official U.S. presence now consists of a consulate in Sapporo, with three Americans, a U.S.I.S. center run by an American and a specialist from the Department of Agriculture, on a temporary basis.

Japan makes a significant financial contribution to paying for the costs of the U.S. military presence. This year Japan will pay \$373 million toward the costs of retaining the bases: \$105 million for land rental, \$104 million in compensation to impacted communities, and \$173 million for the costs of reducing the number of bases through consolidation. All new construction in connection with the consolidation of U.S. facilities is paid for by the Japanese government.

1. *Okinawa*.—Although anti-U.S. military base pressures on the Japanese mainland seem to have eased, there is still strong public opposition to American bases on Okinawa. Twenty percent of the land area of the island of Okinawa is occupied by U.S. bases and they take up to 12% of the Ryukyu Islands chain. A joint decision was reached recently to return twelve additional U.S. facilities, including a firing range on Iejima Island which has been the source of much local controversy. After these reversions take place, the area occupied by the U.S. bases will be reduced from 12 percent to 9.8 percent of the total land area of the island chain.

Okinawans have strong feelings about the bases, which are scattered throughout the island in a checkerboard fashion. Residents carry a bitter legacy of anti-military feeling as a residue from World War II, when 150,000 Okinawans were killed. There is also a widespread feeling that Okinawans are carrying a disproportionate burden of Japan's defense effort, that they are being used in Tokyo. They are also concerned over the possibility of being sucked into an outside war regardless of the fact that they do not feel threatened by any external power.

Recently the opposition candidate for governor won in a close election with a plank that called for removal of all U.S. bases and personnel, although the pro-Tokyo government candidate also favored substantial reductions. It is impossible to determine how significant a factor the differences in the views of the candidates on the bases was in the election, but officials in Tokyo with whom I discussed the situation were acutely aware of the sensitivity of the base issue to Okinawans. It is an issue easily susceptible to political exploitation throughout Japan.

Although the bases account for 15 percent or more of Okinawa's income, this fact does not appear to have softened the persistent public resentment against the U.S. military presence. The 32,000 remaining servicemen in their concentrated U.S. communities still stick out like a sore thumb on the island, although incidents of overt personal hostility are becoming rarer. It is interesting to note that there are only about 5,000 members of the Japanese Self-Defense Force on Okinawa, using land which totals less than one percent of the area used by American forces. There is little joint use of facilities; the Japanese air units, for example, do not have a firing range and must return to the Japanese mainland for firing practice.

Apart from Okinawa, a heavy U.S. military concentration exists in the Tokyo-Yokohama area, the most densely populated part of Japan and is being reduced only slowly. The Sanno Hotel which has been held by the U.S. Army since occupation days is an example. Located in the heart of Tokyo, the hotel is used primarily for U.S. military personnel on leave and, on occasion, by U.S. Government travelers on military business. Since the mid-1950's the Japanese government and

the owners of the property have been trying to get the United States to release this building. Finally, late last year, after taking the Japanese government to court, the owner won a settlement calling for payment of compensation and for return of the property within five years. But the U.S. still insists on a replacement in the downtown Tokyo area before it will relinquish the Sanno, notwithstanding the fact that any valid military justification for retaining this particular facility ended long ago.

The reduction and consolidation of U.S. bases in Japan which is spurred by pressures of budget limitations, steeply-climbing prices in Japan, and Japanese cooperation, is generally headed in the right direction. It should continue, on the basis of close consultation at all times with Japanese officials.

III. ECONOMIC RELATIONS

Japanese and American economic interests are inextricably entwined. America is Japan's largest market and Japan is our most important market, aside from Canada. Currently the United States absorbs some 24 percent of Japan's exports, down from a considerably higher proportion several years ago, marking the diversification of Japan's foreign markets.

There have, of course, been problems with our trade in the past—over steel, textiles and other items—but with time, restraint, and concessions on both sides these problems have been surmounted. Other bilateral trade difficulties are to be anticipated in the future. With goodwill, cooperation, and understanding of mutual needs, these problems should also be manageable. There may well be a need for additional mechanisms for day-to-day dialogue between the two governments on economic issues, both to find solutions to problems before they become critical as well as to provide forums for discussion of matters of mutual interest.

A matter of potential concern for the immediate future, is the reappearance of a growing gap in bilateral trade balances. Japanese exports to the United States for January–April 1976 exceeded imports from the United States by \$1.628 billion, compared with a deficit of \$735.5 million for the last four months of 1975.

Japan's economic growth rate this year, in real terms, is estimated at 6.2 percent which will result in a GNP of \$515.6 billion, somewhat more than one-third of that of the United States. Inflation has been brought under reasonable control and is now running at an annual rate of 8.8 percent. Unemployment is 2 percent, although U.S. and Japanese figures are not comparable due to different employment practices. Environmental issues are of growing public concern in Japan and expenditures for environmental protection now absorb some 13 percent of all capital expenditures compared with about 5 percent for comparable spending in the United States.

As is the case with most other raw materials, Japan is heavily dependent for its energy requirements on foreign sources and it will continue to be for the foreseeable future. Eighty-nine percent of its energy needs are derived from imports (seventy-seven percent from oil). Under a ten-year plan for energy development, its dependence on foreign energy sources will be reduced by only seven percent. Japan's

domestic petroleum production is negligible, although some drilling is underway at offshore sites.

Other than the trade deficit, which to a great extent is a factor of the uneven recovery rates of our respective economies, there are only two major bilateral issues of current concern, fisheries and air routes. The Japanese people depend on fish for 60 percent of their protein and are heavily dependent on ocean fishery resources. They are deeply concerned over the potential impact of the recently enacted law to establish a 200 mile territorial limit for fishing (P.L. 94-265). I explained to the officials who raised this matter that the Congress voted this interim measure out of self-defense following repeated failures by the United Nations Law of the Sea Conference to arrive at an international agreement: after many nations had unilaterally increased their territorial claims to 200 miles; and that imposition of the limit would be held in abeyance for an additional period to give the U.N. Conference more time to come up with a solution. Discussions between Japanese and U.S. officials over the implementation of the new law have begun and it is to be hoped that a satisfactory bilateral solution can be found, assuming that the U.N. Conference again fails to produce an international accord. The air route issue involves a Japanese desire for new ports of entry into the United States and it is also likely to involve requests by U.S. airlines for the right to continue service to Okinawa.

The Lockheed affair, or Lockheed "typhoon," as one official called it, is Japan's Watergate. It is a Japanese—not an American—problem. Thus far, it appears that the affair has had no major adverse effect on Japan-U.S. relations. However, it has had an impact on the conscience of the Japanese public and may eventually set in motion significant changes in Japan's political structure and alignment. In my judgment, the American political system has not only survived the Watergate affair, in the end, it may be strengthened by it. It is entirely possible that the Lockheed scandal could have the same effect in Japan.

The Senate Committee on Foreign Relations has turned over to the Executive Branch all information in its possession relating to the affair for transmittal to the Japanese government. Japanese officials are aware that Congress had been fully cooperative with their government on the matter.

Looking to the future, it is in the interest of Japan, the United States, and the world to establish international ground rules to control under-the-table business dealings and political manipulations like those involved in the Lockheed affair. In this era of multinational corporations and state trading, a single country cannot do much, acting alone, to prevent such practices. "Multinational firms," one Japanese official agreed, "cannot be checked through individual governments." This dry rot in the world's commerce is an international problem and solutions in a similar fashion can only be international. The United Nations may well be peculiarly suited to this purpose.

IV. CONCLUDING OBSERVATIONS

Although the Japan-U.S. relationship began nearly a century and a quarter ago, the unique meshing of our two countries' interests began

with the end of World War II. Japan has now become the second most powerful industrial democracy in the world. And under the U.S. security umbrella, Japan has been free of fear of outside attack and of burdensome military spending. It has been able to devote its vast energies to creating an economic machine of immense productivity.

In 1960, riots and widespread public protests against the mutual security treaty with the United States caused the cancellation of President Eisenhower's plans to visit Japan. President Ford's visit to Japan in 1974 and Emperor Hirohito's visit to the United States last October, historic occasions for both nations, epitomized the changes which have taken place in our relationship since that time. At no period in our post-war history have U.S. relations with Japan been better.

But as the visit by Commodore Perry signaled the end of one era for Japan, an era of isolation from the outside world, we have entered a new era in our contemporary relationship. The end of the post-war era was signaled by the 1972 Okinawa reversion agreement. We have now reached a new plateau, where trust in affairs of mutual concern is essential to both countries. We cannot afford either to preach to the Japanese, to patronize them, or to ignore their legitimate interests. The only basis for trust is to treat with one another on the basis of equality.

The U.S.-Japan security treaty is more than a pledge to maintain a stable and peaceful Pacific. It is a symbol of the need for day-to-day cooperation between Japan and the United States across a range of human activities. The partnership begun at the end of World War II should be strengthened by additional mechanisms for consultation and discussion, building on the precedent of the recently created Joint Defense Cooperation Subcommittee.

Japan is the only major nation in the world which has rejected military power as the basis for the protection and advancement of its interests. Japan is in a unique position, therefore, to exercise leadership in dealing with the problems which will increasingly trouble the world in the years ahead. Environmental issues, shortages of energy and other resources, food and population problems, the world arms burden and nuclear dangers—all are matters with regard to which Japan is uniquely situated to play an international role of leadership. Japan's unique position in the world warrants a permanent seat on the United Nations Security Council and an amendment to the U.N. Charter to that end would be in order.

There may be shifts in Japanese political currents in the period ahead as Japan goes through a period of reassessment. It is especially important that United States officials become better acquainted with and more closely attuned to the broader spectrum of Japanese opinion. A greater exchange of academicians, politicians, journalists, cultural leaders, and others would be in the longrange interests of both countries.

Japanese and American policy interests in the Far East are well served by continuation of the present security treaty relationship. Japanese confidence in the United States commitment is a key factor for stability in the area. I found no evidence of a move to change Japan's military status in such a way as to cause her neighbors concern. Nor is there any reason that a further reduction in U.S. bases and forces

should create uncertainty about the U.S. treaty commitment. Continuation of the present policy to consolidate and eliminate non-essential facilities is desirable, economical and will serve our common interests.

U.S.-Japan relations are good but they could be better. The era of patron-client is over. A new relationship on the basis of equality and a mutuality of interests has begun. Professor Edwin Reischauer described the potential of that relationship as a pattern for the world's future in this way :

If we and the Japanese can build a fully equal relationship of complete trust and cooperation as the two leading members of the group of industrialized democracies, this may be a hopeful sign that in time other such relationships can be built across the chasms of racial and cultural difference, as we move toward creating a truly viable "one world."

This is a worthy goal for both countries.

V. RECOMMENDATIONS

The recommendations which are contained in this report may be summarized as follows:

1. No more "shocks". Wherever feasible, joint mechanisms should be established for periodic consultations on problems of common concern. Our unique relationship warrants unique approaches to insure a continuing dialogue, at all levels, on matters of mutual interest.

2. Japan should obtain a permanent seat on the U.N. Security Council.

3. The reduction and consolidation of U.S. military facilities and personnel should continue in close consultation with the Japanese government.

4. There should be broadened contacts, official and unofficial, between Japan and the United States.

5. The United Nations should undertake to develop a treaty encompassing a code of conduct for international commercial dealings which would outlaw practices such as those involved in the Lockheed affair.

6. There should be a gradual withdrawal of U.S. ground forces from South Korea as that nation's military strength improves.

APPENDIX

1. TREATY OF MUTUAL COOPERATION AND SECURITY BETWEEN THE UNITED STATES OF AMERICA AND JAPAN

Signed at Washington January 19, 1960; Ratification advised by the Senate of the United States of America June 22, 1960; Ratified by the President of the United States of America June 22, 1960; Ratified by Japan June 21, 1960; Ratifications exchanged at Tokyo June 23, 1960; Proclaimed by the President of the United States of America June 27, 1960; Entered into force June 23, 1960. With Agreed Minute and Exchanges of Notes.

The United States of America and Japan,

Desiring to strengthen the bonds of peace and friendship traditionally existing between them, and to uphold the principles of democracy, individual liberty, and the rule of law.

Desiring further to encourage closer economic cooperation between them and to promote conditions of economic stability and well-being in their countries.

Reaffirming their faith in the purposes and principles of the Charter of the United Nations, and their desire to live in peace with all peoples and all governments,

Recognizing that they have the inherent right of individual or collective self-defense as affirmed in the Charter of the United Nations.

Considering that they have a common concern in the maintenance of international peace and security in the Far East,

Having resolved to conclude a treaty of mutual cooperation and security.

Therefore agree as follows:

ARTICLE I

The Parties undertake, as set forth in the Charter of the United Nations, to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered and to refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the purposes of the United Nations.

The Parties will endeavor in concert with other peace-loving countries to strengthen the United Nations so that its mission of maintaining international peace and security may be discharged more effectively.

ARTICLE II

The Parties will contribute toward the further development of peaceful and friendly international relations by strengthening their free institutions, by bringing about a better understanding of the principles upon which these institutions are founded, and by promoting conditions of stability and well-being. They will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between them.

ARTICLE III

The Parties, individually and in cooperation with each other, by means of continuous and effective self-help and mutual aid will maintain and develop, subject to their constitutional provisions, their capacities to resist armed attack.

ARTICLE IV

The Parties will consult together from time to time regarding the implementation of this Treaty, and, at the request of either Party, whenever the security of Japan or international peace and security in the Far East is threatened.

ARTICLE V

Each Party recognizes that an armed attack against either Party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes.

Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of the United Nations in accordance with the provisions of Article 51 of the Charter. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

ARTICLE VI

For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the United States of America is granted the use by its land, air and naval forces of facilities and areas in Japan.

The use of these facilities and areas as well as the status of United States armed forces in Japan shall be governed by a separate agreement, replacing the Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan, signed at Tokyo on February 28, 1952, as amended, and by such other arrangements as may be agreed upon.

ARTICLE VII

This Treaty does not affect and shall not be interpreted as affecting in any way the rights and obligations of the Parties under the Charter of the United Nations or the responsibility of the United Nations for the maintenance of international peace and security.

ARTICLE VIII

This Treaty shall be ratified by the United States of America and Japan in accordance with their respective constitutional processes and will enter into force on the date on which the instruments of ratification thereof have been exchanged by them in Tokyo.

ARTICLE IX

The Security Treaty between the United States of America and Japan signed at the city of San Francisco on September 8, 1951 shall expire upon the entering into force of this Treaty.

ARTICLE X

This Treaty shall remain in force until in the opinion of the Governments of the United States of America and Japan there shall have come into force such United Nations arrangements as will satisfactorily provide for the maintenance of international peace and security in the Japan area.

However, after the Treaty has been in force for ten years, either Party may give notice to the other Party of its intention to terminate the Treaty, in which case the Treaty shall terminate one year after such notice has been given.

AGREED MINUTE TO THE TREATY OF MUTUAL COOPERATION AND SECURITY BETWEEN
THE UNITED STATES OF AMERICA AND JAPAN

Japanese Plenipotentiary

While the question of the status of the islands administered by the United States under Article 3 of the Treaty of Peace with Japan has not been made a subject of discussion in the course of treaty negotiations. I would like to emphasize the strong concern of the Government and people of Japan for the safety of the people of these islands since Japan possesses residual sovereignty over these islands. If an armed attack occurs or is threatened against these islands, the two countries will of course consult together closely under Article IV of the Treaty of Mutual Cooperation and Security. In the event of an armed attack, it is the intention of the Government of Japan to explore with the United States measures which it might be able to take for the welfare of the islanders.

United States Plenipotentiary

In the event of an armed attack against these islands, the United States Government will consult at once with the Government of Japan and intends to take the necessary measures for the defense of these islands, and to do its utmost to secure the welfare of the islanders.

EXCHANGES OF NOTES BETWEEN THE UNITED STATES AND JAPAN DATED
JANUARY 19, 1960

His Excellency CHRISTIAN A. HERTER,
Secretary of State of the United States of America.

EXCELLENCY: I have the honour to refer to the Treaty of Mutual Cooperation and Security between Japan and the United States of America signed today, and to inform Your Excellency that the following is the understanding of the Government of Japan concerning the implementation of Article VI thereof:

"Major changes in the deployment into Japan of United States armed forces, major changes in their equipment, and the use of facilities and areas in Japan as bases for military combat operations to be undertaken from Japan other than those conducted under Article V of the said Treaty, shall be the subjects of prior consultation with the Government of Japan."

I should be appreciative if Your Excellency would confirm on behalf of your Government that this is also the understanding of the Government of the United States of America.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

NOBUSUKE KISHI.

His Excellency NOBUSUKE KISHI,
Prime Minister of Japan.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's Note of today's date, which reads as follows:

"I have the honour to refer to the Treaty of Mutual Cooperation and Security between Japan and the United States of America signed today, and to inform Your Excellency that the following is the understanding of the Government of Japan concerning the implementation of Article VI thereof:

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I have the honor to confirm on behalf of my Government that the foregoing is also the understanding of the Government of the United States of America.

Accept, Excellency, the renewed assurances of my highest consideration.

CHRISTIAN A. HERTER,
*Secretary of State of the
United States of America.*

His Excellency NOBUSUKE KISHI,
Prime Minister of Japan.

EXCELLENCY: I have the honor to refer to the Security Treaty between the United States of America and Japan signed at the city of San Francisco on September 8, 1951, the exchange of notes effected on the same date between Mr. Shigeru Yoshida, Prime Minister of Japan, and Mr. Dean Acheson, Secretary of State of the United States of America, and the Agreement Regarding the Status of the United Nations Forces in Japan signed at Tokyo on February 19, 1954, as well as the Treaty of Mutual Cooperation and Security between the

United States of America and Japan signed today. It is the understanding of my Government that:

1. The above-mentioned exchange of notes will continue to be in force so long as the Agreement Regarding the Status of the United Nations Forces in Japan remains in force.

2. The expression "those facilities and areas the use of which is provided to the United States of America under the Security Treaty between Japan and the United States of America" in Article V, paragraph 2 of the above-mentioned Agreement is understood to mean the facilities and areas the use of which is granted to the United States of America under the Treaty of Mutual Cooperation and Security.

3. The use of the facilities and areas by the United States armed forces under the Unified Command of the United Nations established pursuant to the Security Council Resolution of July 7, 1950, and their status in Japan are governed by arrangements made pursuant to the Treaty of Mutual Cooperation and Security.

I should be grateful if Your Excellency could confirm on behalf of your Government that the understanding of my Government stated in the foregoing numbered paragraphs is also the understanding of your Government and that this understanding shall enter into operation on the date of the entry force of the Treaty of Mutual Cooperation and Security signed at Washington on January 19, 1960.

Accept, Excellency, the renewed assurances of my highest consideration.

CHRISTIAN A. HERTER,
Secretary of State of the
United States of America.

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1. The above-mentioned exchange of notes will continue to be in force so long as the Agreement Regarding the Status of the United Nations Forces in Japan remains in force.

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"I should be grateful if Your Excellency could confirm on behalf of your Government that the understanding of my Government stated in the foregoing numbered paragraphs is also the understanding of your Government and that this understanding shall enter into operation on the date of the entry into force of the Treaty of Mutual Cooperation and Security signed at Washington on January 19, 1960."

I have the honour to confirm on behalf of my Government that the foregoing is also the understanding of the Government of Japan.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

NOBUSUKE KISHI.

His Excellency CHRISTIAN A. HERTER,
Secretary of State, of the United States of America.

DEAR SECRETARY HERTER: I wish to refer to the Treaty of Mutual Cooperation and Security between Japan and the United States of America signed today. Under Article IV of the Treaty, the two Governments will consult together from time to time regarding the implementation of the Treaty, and, at the request of either Government, whenever the security of Japan or international peace and security in the Far East is threatened. The exchange of notes under Article VI of the Treaty specifies certain matters as the subjects of prior consultation with the Government of Japan.

Such consultations will be carried on between the two Governments through appropriate channels. At the same time, however, I feel that the establishment of a special committee which could as appropriate be used for these consultations between the Governments would prove very useful. This committee, which would meet whenever requested by either side, could also consider any matters underlying and related to security affairs which would serve to promote understanding between the two Governments and contribute to the strengthening of cooperative relations between the two countries in the field of security.

Under this proposal the present "Japanese-American Committee on Security" established by the Governments of the United States and Japan on August 6, 1957, would be replaced by this new committee which might be called "The Security Consultative Committee". I would also recommend that the membership of this new committee be the same as the membership of the "Japanese-American Committee on Security", namely on the Japanese side, the Minister for foreign Affairs, who will preside on the Japanese side, and the Director General of the Defense Agency, and on the United States side, the United States Ambassador to Japan, who will serve as Chairman on the United States side, and the Commander-in-Chief, Pacific, who will be the Ambassador's principal advisor on military and defense matters. The Commander, United States Forces, Japan, will serve as alternate for the Commander-in-Chief, Pacific.

I would appreciate very much your views on this matter.

Most sincerely,

NOBUSUKE KISHI.

His Excellency
 NOBUSUKE KISHI,
Prime Minister of Japan.

DEAR MR. PRIME MINISTER:

The receipt is acknowledged of your Note of today's date suggesting the establishment of "The Security Consultative Committee". I fully agree to your proposal and share your view that such a committee can contribute to strengthening the cooperative relations between the two countries in the field of security. I also agree to your proposal regarding the membership of this committee.

Most sincerely,

CHRISTIAN A. HERTER.

2. AGREEMENT UNDER ARTICLE VI OF THE TREATY OF MUTUAL COOPERATION AND SECURITY BETWEEN THE UNITED STATES OF AMERICA AND JAPAN, REGARDING FACILITIES AND AREAS AND THE STATUS OF UNITED STATES ARMED FORCES IN JAPAN

The United States of America and Japan, pursuant to Article VI of the Treaty of Mutual Cooperation and Security between the United States of America and Japan signed at Washington on January 19, 1960, have entered into this Agreement in terms as set forth below :

ARTICLE I

In this Agreement the expression—

(a) "members of the United States armed forces" means the personnel on active duty belonging to the land, sea or air armed services of the United States of America when in the territory of Japan.

(b) "civilian component" means the civilian persons of United States nationality who are in the employ of, serving with, or accompanying the United States armed forces in Japan, but excludes persons who are ordinarily resident in Japan or who are mentioned in paragraph 1 of Article XIV. For the purposes of this Agreement only, dual nationals, United States and Japanese, who are brought to Japan by the United States shall be considered as United States nationals.

(c) "dependents" means

(1) Spouse, and children under 21;

(2) Parents, and children over 21, if dependent for over half their support upon a member of the United States armed forces or civilian component.

ARTICLE II

1. (a) The United States is granted, under Article VI of the Treaty of Mutual Cooperation and Security, the use of facilities and areas in Japan. Agreements as to specific facilities and areas shall be concluded by the two Governments through the Joint Committee provided for in Article XXV of this Agreement. "Facilities and areas" include existing furnishings, equipment and fixtures necessary to the operation of such facilities and areas.

(b) The facilities and areas of which the United States has the use at the time of expiration of the Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan, shall be considered as facilities and areas agreed upon between the two Governments in accordance with subparagraph (a) above.

2. At the request of either Government, the Governments of the United States and Japan shall review such arrangements and may agree that such facilities and areas shall be returned to Japan or that additional facilities and areas may be provided.

3. The facilities and areas used by the United States armed forces shall be returned to Japan whenever they are no longer needed for purposes of this Agreement, and the United States agrees to keep the needs for facilities and areas under continual observation with a view toward such return.

4. (a) When facilities and areas are temporarily not being used by the United States armed forces, the Government of Japan may make, or permit Japanese nationals to make, interim use of such facilities and areas provided that it is agreed between the two Governments through the Joint Committee that such use would not be harmful to the purposes for which the facilities and areas are normally used by the United States armed forces.

(b) With respect to facilities and areas which are to be used by United States armed forces for limited periods of time, the Joint Committee shall specify in the agreements covering such facilities and areas the extent to which the provisions of this Agreement shall apply.

ARTICLE III

1. Within the facilities and areas, the United States may take all the measures necessary for their establishment, operation, safeguarding and control. In order to provide access for the United States armed forces to the facilities and areas for their support, safeguarding and control, the Government of Japan shall, at the request of the United States armed forces and upon consultation between the two Governments through the Joint Committee, take necessary measures within the scope of applicable laws and regulations over land, territorial waters and airspace adjacent to, or in the vicinities of the facilities and areas. The United States may also take necessary measures for such purposes upon consultation between the two Governments through the Joint Committee.

2. The United States agrees not to take the measures referred to in paragraph 1 in such a manner as to interfere unnecessarily with navigation, aviation, communication, or land travel to or from or within the territories of Japan. All questions relating to frequencies, power and like matters used by apparatus employed by the United States designed to emit electric radiation shall be settled by arrangement between the appropriate authorities of the two Governments. The Government of Japan shall, within the scope of applicable laws and regulations, take all reasonable measures to avoid or eliminate interference with telecommunications electronics required by the United States armed forces.

3. Operations in the facilities and areas in use by the United States armed forces shall be carried on with due regard for the public safety.

ARTICLE IV

1. The United States is not obliged, when it returns facilities and areas to Japan on the expiration of this Agreement or at an earlier date, to restore the facilities and areas to the condition in which they were at the time they became available to the United States armed forces, or to compensate Japan in lieu of such restoration.

2. Japan is not obliged to make any compensation to the United States for any improvements made in the facilities and areas or for the buildings or structures left thereon on the expiration of this Agreement or the earlier return of the facilities and areas.

3. The foregoing provisions shall not apply to any construction which the Government of the United States may undertake under special arrangements with the Government of Japan.

ARTICLE V

1. United States and foreign vessels and aircraft operated by, for, or under the control of the United States for official purposes shall be accorded access to any port or airport of Japan free from toll or landing charges. When cargo or passengers not accorded the exemptions of this Agreement are carried on such vessels and aircraft, notification shall be given to the appropriate Japanese authorities, and their entry into and departure from Japan shall be according to the laws and regulations of Japan.

2. The vessels and aircraft mentioned in paragraph 1. United States Government-owned vehicles including armor, and members of the United States armed forces, the civilian component, and their dependents shall be accorded access to and movement between facilities and areas in use by the United States armed forces and between such facilities and areas and the ports or airports of Japan. Such access to and movement between facilities and areas by United States military vehicles shall be free from toll and other charges.

3. When the vessels mentioned in paragraph 1 enter Japanese ports, appropriate notification shall, under normal conditions, be made to the proper Japanese authorities. Such vessels shall have freedom from compulsory pilotage, but if a pilot is taken pilotage shall be paid for at appropriate rates.

ARTICLE VI

1. All civil and military air traffic control and communications systems shall be developed in close coordination and shall be integrated to the extent necessary for fulfillment of collective security interests. Procedures, and any subsequent changes thereto, necessary to effect this coordination and integration

will be established by arrangement between the appropriate authorities of the two Governments.

2. Lights and other aids to navigation of vessels and aircraft placed or established in the facilities and areas in use by United States armed forces and in territorial waters adjacent thereto or in the vicinity thereof shall conform to the system in use in Japan. The United States and Japanese authorities which have established such navigation aids shall notify each other of their positions and characteristics and shall give advance notification before making any changes in them or establishing additional navigation aids.

ARTICLE VII

The United States armed forces shall have the use of all public utilities and services belonging to, or controlled or regulated by the Government of Japan, and shall enjoy priorities in such use, under conditions no less favorable than those that may be applicable from time to time to the ministries and agencies of the Government of Japan.

ARTICLE VIII

The Government of Japan undertakes to furnish the United States armed forces with the following meteorological services in accordance with arrangements between the appropriate authorities of the two Governments:

(a) Meteorological observations from land and ocean areas including observations from weather ships.

(b) Climatological information including periodic summaries and the historical data of the Meteorological Agency.

(c) Telecommunications service to disseminate meteorological information required for the safe and regular operation of aircraft.

(d) Seismographic data including forecasts of the estimated size of tidal waves resulting from earthquakes and areas that might be affected thereby.

ARTICLE IX

1. The United States may bring into Japan persons who are members of the United States armed forces, the civilian component, and their dependents, subject to the provisions of this Article.

2. Members of the United States armed forces shall be exempt from Japanese passport and visa laws and regulations. Members of the United States armed forces, the civilian component, and their dependents shall be exempt from Japanese laws and regulations on the registration and control of aliens, but shall not be considered as acquiring any right to permanent residence or domicile in the territories of Japan.

3. Upon entry into or departure from Japan members of the United States armed forces shall be in possession of the following documents:

(a) personal identity card showing name, date of birth, rank and number, service, and photograph; and

(b) individual or collective travel order certifying to the status of the individual or group as a member or members of the United States armed forces and to the travel ordered.

For purposes of their identification while in Japan, members of the United States armed forces shall be in possession of the foregoing personal identity card which must be presented on request to the appropriated Japanese authorities.

4. Members of the civilian component, their dependents, and the dependents of members of the United States armed forces shall be in possession of appropriate documentation issued by the United States authorities so that their status may be verified by Japanese authorities upon their entry into or departure from Japan, or while in Japan.

5. If the status of any person brought into Japan under paragraph 1 of this Article is altered so that he would no longer be entitled to such admission, the United States authorities shall notify the Japanese authorities and shall, if such person be required by the Japanese authorities to leave Japan, assure that transportation from Japan will be provided within a reasonable time at no cost to the Government of Japan.

6. If the Government of Japan has requested the removal from its territory of a member of the United States armed forces or civilian component or has made an expulsion order against an ex-member of the United States armed

forces or the civilian component or against a dependent of a member or ex-member, the authorities of the United States shall be responsible for receiving the person concerned within its own territory or otherwise disposing of him outside Japan. This paragraph shall apply only to persons who are not nationals of Japan and have entered Japan as members of the United States armed forces or civilian component or for the purpose of becoming such members, and to the dependents of such persons.

ARTICLE X

1. Japan shall accept as valid, without a driving test or fee, the driving permit or license or military driving permit issued by the United States to a member of the United States armed forces, the civilian component, and their dependents.

2. Official vehicles of the United States armed forces and the civilian component shall carry distinctive numbered plates or individual markings which will readily identify them.

3. Privately owned vehicles of members of the United States armed forces, the civilian component, and their dependents shall carry Japanese number plates to be acquired under the same conditions as those applicable to Japanese nationals.

ARTICLE XI

1. Save as provided in this Agreement, members of the United States armed forces, the civilian component, and their dependents shall be subject to the laws and regulations administered by the customs authorities of Japan.

2. All materials, supplies and equipment imported by the United States armed forces, the authorized procurement agencies of the United States armed forces, or by the organizations provided for in Article XV, for the official use of the United States armed forces or for the use of the members of the United States armed forces, the civilian component, and their dependents, and materials, supplies and equipment which are to be used exclusively by the United States armed forces or are ultimately to be incorporated into articles or facilities used by such forces, shall be permitted entry into Japan; such entry shall be free from customs duties and other such charges. Appropriate certification shall be made that such materials, supplies and equipment are being imported by the United States armed forces, the authorized procurement agencies of the United States armed forces, or by the organizations provided for in Article XV, or, in the case of materials, supplies and equipment to be used exclusively by the United States armed forces or ultimately to be incorporated into articles or facilities used by such forces, that delivery thereof is to be taken by the United States armed forces for the purposes specified above.

3. Property consigned to and for the personal use of members of the United States armed forces, the civilian component, and their dependents, shall be subject to customs duties and other such charges, except that no duties or charges shall be paid with respect to:

(a) Furniture and household goods for their private use imported by the members of the United States armed forces or civilian component when they first arrive to serve in Japan or by their dependents when they first arrive for reunion with members of such forces or civilian component, and personal effects for private use brought by the said persons upon entrance.

(b) Vehicles and parts imported by members of the United States armed forces or civilian component for the private use of themselves or their dependents.

(c) Reasonable quantities of clothing and household goods of a type which would ordinarily be purchased in the United States for everyday use for the private use of members of the United States armed forces, civilian component, and their dependents, which are mailed into Japan through United States military post offices.

4. The exemptions granted in paragraphs 2 and 3 shall apply only to cases of importation of goods and shall not be interpreted as refunding customs duties and domestic excises collected by the customs authorities at the time of entry in cases of purchases of goods on which such duties and excises have already been collected.

5. Customs examination shall not be made in the following cases:

(a) Units of the United States armed forces under orders entering or leaving Japan;

(b) Official documents under official seal and official mail in United States military postal channels;

(c) Military cargo shipped on a United States Government bill of lading.

6. Except as such disposal may be authorized by the United States and Japanese authorities in accordance with mutually agreed conditions, goods imported into Japan free of duty shall not be disposed of in Japan to persons not entitled to import such goods free of duty.

7. Goods imported into Japan free from customs duties and other such charges pursuant to paragraphs 2 and 3, may be re-exported free from customs duties and other such charges.

8. The United States armed forces, in cooperation with Japanese authorities, shall take such steps as are necessary to prevent abuse of privileges granted to the United States armed forces, members of such forces, the civilian component, and their dependents in accordance with this Article.

9. (a) In order to prevent offenses against laws and regulations administered by the customs authorities of the Government of Japan, the Japanese authorities and the United States armed forces shall assist each other in the conduct of inquiries and the collection of evidence.

(b) The United States armed forces shall render all assistance within their power to ensure that articles liable to seizure by, or on behalf of, the customs authorities of the Government of Japan are handed to those authorities.

(c) The United States armed forces shall render all assistance within their power to ensure the payment of duties, taxes, and penalties payable by members of such forces or of the civilian component, or their dependents.

(d) Vehicles and articles belonging to the United States armed forces seized by the customs authorities of the Government of Japan in connection with an offense against its customs or fiscal laws or regulations shall be handed over to the appropriate authorities of the force concerned.

ARTICLE XII

1. The United States may contract for any supplies or construction work to be furnished or undertaken in Japan for purposes of, or authorized by, this Agreement, without restriction as to choice of supplier or person who does the construction work. Such supplies or construction work may, upon agreement between the appropriate authorities of the two Governments, also be procured through the Government of Japan.

2. Materials, supplies, equipment and services which are required from local sources for the maintenance of the United States armed forces and the procurement of which may have an adverse effect on the economy of Japan shall be procured in coordination with, and, when desirable, through or with the assistance of, the competent authorities of Japan.

3. Materials, supplies, equipment and services procured for official purposes in Japan by the United States armed forces, or by authorized procurement agencies of the United States armed forces upon appropriate certification shall be exempt from the following Japanese taxes: (a) Commodity tax; (b) Traveling tax; (c) Gasoline tax; (d) Electricity and gas tax.

Materials, supplies, equipment and services procured for ultimate use by the United States armed forces shall be exempt from commodity and gasoline taxes upon appropriate certification by the United States armed forces. With respect to any present or future Japanese taxes not specifically referred to in this Article which might be found to constitute a significant and readily identifiable part of the gross purchase price of materials, supplies, equipment and services procured by the United States armed forces, or for ultimate use by such forces, the two Governments will agree upon a procedure for granting such exemption or relief therefrom as is consistent with the purposes of this Article.

4. Local labor requirements of United States armed forces and of the organizations provided for in Article XV shall be satisfied with the assistance of the Japanese authorities.

5. The obligations for the withholding and payment of income tax, local inhabitant tax and social security contributions, and, except as may otherwise be mutually agreed, the conditions of employment and work, such as those relating to wages and supplementary payments, the conditions for the protection of workers, and the rights of workers concerning labor relations shall be those laid down by the legislation of Japan.

6. Should the United States armed forces or as appropriate an organization provided for in Article XV dismiss a worker and a decision of a court or a Labor

Relations Commission of Japan to the effect that the contract of employment has not terminated become final, the following procedure shall apply :

(a) The United States armed forces or the said organization shall be informed by the Government of Japan of the decision of the court or Commission ;

(b) Should the United States armed forces or the said organization not desire to return the worker to duty, they shall so notify the Government of Japan within seven days after being informed by the latter of the decision of the court or Commission, and may temporarily withhold the worker from duty ;

(c) Upon such notification, the Government of Japan and the United States armed forces or the said organization shall consult together without delay with a view to finding a practical solution of the case ;

(d) Should such a solution not be reached within a period of thirty days from the date of commencement of the consultations under (c) above, the worker will not be entitled to return to duty. In such case, the Government of the United States shall pay to the Government of Japan an amount equal to the cost of employment of the worker for a period of time to be agreed between the two Governments.

7. Members of the civilian component shall not be subject to Japanese laws or regulations with respect to terms and conditions of employment.

8. Neither members of the United States armed forces, civilian component, nor their dependents, shall be reason of this Article enjoy any exemption from taxes or similar charges relating to personal purchases of goods and services in Japan chargeable under Japanese legislation.

9. Except as such disposal may be authorized by the United States and Japanese authorities in accordance with mutually agreed conditions, goods purchased in Japan exempt from the taxes referred to in paragraph 3, shall not be disposed of in Japan to persons not entitled to purchase such goods exempt from such tax.

ARTICLE XIII

1. The United States armed forces shall not be subject to taxes or similar charges on property held, used or transferred by such forces in Japan.

2. Members of the United States armed forces, the civilian component, and their dependents shall not be liable to pay any Japanese taxes to the Government of Japan or to any other taxing agency in Japan on income received as a result of their service with or employment by the United States armed forces, or by the organizations provided for in Article XV. The provisions of this Article do not exempt such persons from payment of Japanese taxes on income derived from Japanese sources, nor do they exempt United States citizens who for United States income tax purposes claim Japanese residence from payment of Japanese taxes on income. Periods during which such persons are in Japan solely by reason of being members of the United States armed forces, the civilian component, or their dependents shall not be considered as periods of residence or domicile in Japan for the purpose of Japanese taxation.

3. Members of the United States armed forces, the civilian component, and their dependents shall be exempt from taxation in Japan on the holding, use, transfer *inter se*, or transfer by death of movable property, tangible or intangible, the presence of which in Japan is due solely to the temporary presence of these persons in Japan, provided that such exemption shall not apply to property held for the purpose of investment or the conduct of business in Japan or to any intangible property registered in Japan. There is no obligation under this Article to grant exemption from taxes payable in respect of the use of roads by private vehicles.

ARTICLE XIV

1. Persons, including corporations organized under the laws of the United States, and their employees who are ordinarily resident in the United States and whose presence in Japan is solely for the purpose of executing contracts with the United States for the benefit of the United States armed forces, and who are designated by the Government of the United States in accordance with the provisions of paragraph 2 below, shall, except as provided in this Article, be subject to the laws and regulations of Japan.

2. The designation referred to in paragraph 1 above shall be made upon consultation with the Government of Japan and shall be restricted to cases where open competitive bidding is not practicable due to security considerations, to the technical qualifications of the contractors involved, or to the unavailability

of materials or services required by United States standards, or to limitations of United States law.

The designation shall be withdrawn by the Government of the United States:

(a) upon completion of contracts with the United States for the United States armed forces;

(b) upon proof that such persons are engaged in business activities in Japan other than those pertaining to the United States armed forces; or

(c) when such persons are engaged in practices illegal in Japan.

3. Upon certification by appropriate United States authorities as to their identity, such persons and their employees shall be accorded the following benefits of this Agreement:

(a) Rights of accession and movement, as provided for in Article V, paragraph 2;

(b) Entry into Japan in accordance with the provisions of Article IX;

(c) The exemption from customs duties, and other such charges provided for in Article XI, paragraph 3, for members of the United States armed forces, the civilian component, and their dependents;

(d) If authorized by the Government of the United States, the right to use the services of the organizations provided for in Article XV;

(e) Those provided for in Article XIX, paragraph 2, for members of the armed forces of the United States, the civilian component, and their dependents;

(f) If authorized by the Government of the United States, the right to use military payment certificates, as provided for in Article XX;

(g) The use of postal facilities provided for in Article XXI;

(h) Exemption from the laws and regulations of Japan with respect to terms and conditions of employment.

4. Such persons and their employees shall be so described in their passports and their arrival, departure and their residence while in Japan shall from time to time be notified by the United States armed forces to the Japanese authorities.

5. Upon certification by an authorized officer of the United States armed forces, depreciable assets except houses, held, used, or transferred, by such persons and their employees exclusively for the execution of contracts referred to in paragraph 1 shall not be subject to taxes or similar charges of Japan.

6. Upon certification by an authorized officer of the United States armed forces, such persons and their employees shall be exempt from taxation in Japan on the holding, use, transfer by death, or transfer to persons or agencies entitled to tax exemption under this Agreement, of movable property, tangible or intangible, the presence of which in Japan is due solely to the temporary presence of these persons in Japan, provided that such exemption shall not apply to property held for the purpose of investment or the conduct of other business in Japan or to any intangible property registered in Japan. There is no obligation under this Article to grant exemption from taxes payable in respect of the use of roads by private vehicles.

7. The persons and their employees referred to in paragraph 1 shall not be liable to pay income or corporation taxes to the Government of Japan or to any other taxing agency in Japan on any income derived under a contract made in the United States with the Government of the United States in connection with the construction, maintenance or operation of any of the facilities or areas covered by this Agreement. The provisions of this paragraph do not exempt such persons from payment of income or corporation taxes on income derived from Japanese sources, nor do they exempt such persons and their employees who, for United States income tax purposes, claim Japanese residence, from payment of Japanese taxes on income. Periods during which such persons are in Japan solely in connection with the execution of a contract with the Government of the United States shall not be considered periods of residence or domicile in Japan for the purposes of such taxation.

8. Japanese authorities shall have the primary right to exercise jurisdiction over the persons and their employees referred to in paragraph 1 of this Article in relation to offenses committed in Japan and punishable by the law of Japan. In those cases in which the Japanese authorities decide not to exercise such jurisdiction they shall notify the military authorities of the United States as soon as possible. Upon such notification the military authorities of the United States shall have the right to exercise such jurisdiction over the persons referred to as is conferred on them by the law of the United States.

ARTICLE XV

1. (a) Navy exchanges, post exchanges, messes, social clubs, theaters, newspapers and other non-appropriated fund organizations authorized and regulated by the United States military authorities may be established in the facilities and areas in use by the United States armed forces for the use of members of such forces, the civilian component, and their dependents. Except as otherwise provided in this Agreement, such organizations shall not be subject to Japanese regulations, license, fees, taxes or similar controls.

(b) When a newspaper authorized and regulated by the United States military authorities is sold to the general public, it shall be subject to Japanese regulations, license, fees, taxes or similar controls so far as such circulation is concerned.

2. No Japanese tax shall be imposed on sales of merchandise and services by such organizations, except as provided in paragraph 1(b), but purchases within Japan of merchandise and supplies by such organizations shall be subject to Japanese taxes.

3. Except as such disposal may be authorized by the United States and Japanese authorities in accordance with mutually agreed conditions, goods which are sold by such organizations shall not be disposed of in Japan to persons not authorized to make purchases from such organizations.

4. The organizations referred to in this Article shall provide such information to the Japanese authorities as is required by Japanese tax legislation.

ARTICLE XVI

It is the duty of members of the United States armed forces, the civilian component, and their dependents to respect the law of Japan and to abstain from any activity inconsistent with the spirit of this Agreement, and in particular, from any political activity in Japan.

ARTICLE XVII

1. Subject to the provisions of this Article,

(a) the military authorities of the United States shall have the right to exercise within Japan all criminal and disciplinary jurisdiction conferred on them by the law of the United States over all persons subject to the military law of the United States;

(b) the authorities of Japan shall have jurisdiction over the members of the United States armed forces, the civilian component, and their dependents with respect to offenses committed within the territory of Japan and punishable by the law of Japan.

2. (a) The military authorities of the United States shall have the right to exercise exclusive jurisdiction over persons subject to the military law of the United States with respect to offenses, including offenses relating to its security, punishable by the law of the United States, but not by the law of Japan.

(b) The authorities of Japan shall have the right to exercise exclusive jurisdiction over members of the United States armed forces, the civilian component, and their dependents with respect to offenses, including offenses relating to the security of Japan, punishable by its law but not by the law of the United States.

(c) For the purposes of this paragraph and of paragraph 3 of this Article a security offense against a State shall include (i) treason against the State; (ii) sabotage, espionage or violation of any law relating to official secrets of that State, or secrets relating to the national defense of that State.

3. In cases where the right to exercise jurisdiction is concurrent the following rules shall apply:

(a) The military authorities of the United States shall have the primary right to exercise jurisdiction over members of the United States armed forces or the civilian component in relation to: (i) offenses solely against the property or security of the United States, or offenses solely against the person or property of another member of the United States armed forces or the civilian component or of a dependent; (ii) offenses arising out of any act or omission done in the performance of official duty.

(b) In the case of any other offense the authorities of Japan shall have the primary right to exercise jurisdiction.

(c) If the State having the primary right decides not to exercise jurisdiction, it shall notify the authorities of the other State as soon as practicable. The authorities of the State having the primary right shall give sympathetic consideration to a request from the authorities of the other State for a waiver of its right in cases where that other State considers such waiver to be of particular importance.

4. The foregoing provisions of this Article shall not imply any right for the military authorities of the United States to exercise jurisdiction over persons who are nationals of or ordinarily resident in Japan, unless they are members of the United States armed forces.

5. (a) The military authorities of the United States and the authorities of Japan shall assist each other in the arrest of members of the United States armed forces, the civilian component, or their dependents in the territory of Japan and in handing them over to the authority which is to exercise jurisdiction in accordance with the above provisions.

(b) The authorities of Japan shall notify promptly the military authorities of the United States of the arrest of any member of the United States armed forces, the civilian component, or a dependent.

(c) The custody of an accused member of the United States armed forces or the civilian component over whom Japan is to exercise jurisdiction shall, if he is in the hands of the United States, remain with the United States until he is charged by Japan.

6. (a) The military authorities of the United States and the authorities of Japan shall assist each other in the carrying out of all necessary investigations into offenses, and in the collection and production of evidence, including the seizure and, in proper cases, the handing over of objects connected with an offense. The handing over of such objects may, however, be made subject to their return within the time specified by the authority delivering them.

(b) The military authorities of the United States and the authorities of Japan shall notify each other of the disposition of all cases in which there are concurrent rights to exercise jurisdiction.

7. (a) A death sentence shall not be carried out in Japan by the military authorities of the United States if the legislation of Japan does not provide for such punishment in a similar case.

(b) The authorities of Japan shall give sympathetic consideration to a request from the military authorities of the United States for assistance in carrying out a sentence of imprisonment pronounced by the military authorities of the United States under the provisions of this Article within the territory of Japan.

8. Where an accused has been tried in accordance with the provisions of this Article either by the military authorities of the United States or the authorities of Japan and has been acquitted, or has been convicted and is serving, or has served, his sentence or has been pardoned, he may not be tried again for the same offense within the territory of Japan by the authorities of the other State. However, nothing in this paragraph shall prevent the military authorities of the United States from trying a member of its armed forces for any violation of rules of discipline arising from an act or omission which constituted an offense for which he was tried by the authorities of Japan.

9. Whenever a member of the United States armed forces, the civilian component or a dependent is prosecuted under the jurisdiction of Japan he shall be entitled:

- (a) to a prompt and speedy trial;
- (b) to be informed, in advance of trial, of the specific charge or charges made against him;
- (c) to be confronted with the witnesses against him;
- (d) to have compulsory process for obtaining witnesses in his favor, if they are within the jurisdiction of Japan;
- (e) to have legal representation of his own choice for his defense or to have free or assisted legal representation under the conditions prevailing for the time being in Japan;
- (f) if he considers it necessary, to have the services of a competent interpreter; and
- (g) to communicate with a representative of the Government of the United States and to have such a representative present at his trial.

10. (a) Regularly constituted military units or formations of the United States armed forces shall have the right to police any facilities or areas which they use

under Article II of this Agreement. The military police of such forces may take all appropriate measures to ensure the maintenance of order and security within such facilities and areas.

(b) Outside these facilities and areas, such military police shall be employed only subject to arrangements with the authorities of Japan and in liaison with those authorities, and in so far as such employment is necessary to maintain discipline and order among the members of the United States armed forces.

11. In the event of hostilities to which the provisions of Article V of the Treaty of Mutual Cooperation and Security apply, either the Government of the United States or the Government of Japan shall have the right, by giving sixty days' notice to the other, to suspend the application of any of the provisions of this Article. If this right is exercised, the Governments of the United States and Japan shall immediately consult with a view to agreeing on suitable provisions to replace the provisions suspended.

12. The provisions of this Article shall not apply to any offenses committed before the entry into force of this Agreement. Such cases shall be governed by the provisions of Article XVII of the Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan, as it existed at the relevant time.

ARTICLE XVIII

1. Each Party waives all its claims against the other Party for damage to any property owned by it and used by its land, sea or air defense services, if such damage—

(a) was caused by a member or an employee of the defense services of the other Party in the performance of his official duties; or

(b) arose from the use of any vehicle, vessel or aircraft owned by the other Party and used by its defense services, provided either that the vehicle, vessel or aircraft causing the damage was being used for official purposes, or that the damage was caused to property being so used.

Claims for maritime salvage by one Party against the other Party shall be waived, provided that the vessel or cargo salvaged was owned by a Party and being used by its defense services for official purposes.

2. (a) In the case of damage caused or arising as stated in paragraph 1 to other property owned by either Party and located in Japan, the issue of the liability of the other Party shall be determined and the amount of damage shall be assessed, unless the two Governments agree otherwise, by a sole arbitrator selected in accordance with subparagraph (b) of this paragraph. The arbitrator shall also decide any counter-claims rising out of the same incident.

(b) The arbitrator referred to in subparagraph (a) above shall be selected by agreement between the two Governments from amongst the nationals of Japan who hold or have held high judicial office.

(c) Any decision taken by the arbitrator shall be binding and conclusive upon the Parties.

(d) The amount of any compensation awarded by the arbitrator shall be distributed in accordance with the provisions of paragraph 5(e) (i), (ii), and (iii) of this Article.

(e) The compensation of the arbitrator shall be fixed by agreement between the two Governments and shall together with the necessary expenses incidental to the performance of his duties, be defrayed in equal proportions by them.

(f) Nevertheless, each Party waives its claim in any such case up to the amount of 1,400 United States dollars or 504,000 yen. In the case of considerable variation in the rate of exchange between these currencies the two Governments shall agree on the appropriate adjustments of these amounts.

3. For the purposes of paragraphs 1 and 2 of this Article the expression "owned by a Party" in the case of a vessel includes a vessel on bare boat charter to that Party or requisitioned by it on bare boat terms or seized by it in prize (except to the extent that the risk of loss or liability is borne by some person other than such Party).

4. Each Party waives all its claims against the other Party for injury or death suffered by any member of its defense services while such member was engaged in the performance of his official duties.

5. Claims (other than contractual claims and those to which paragraphs 6 or 7 of this Article apply) arising out of facts or omissions of members or employees of the United States armed forces done in the performance of official duty, or

out of any other act, omission or occurrence for which the United States armed forces are legally responsible, and causing damage in Japan to third parties, other than the Government of Japan, shall be dealt with by Japan in accordance with the following provisions:

(a) Claims shall be filed, considered and settled or adjudicated in accordance with the laws and regulations of Japan with respect to claims arising from the activities of its Self-Defense Forces.

(b) Japan may settle any such claims, and payment of the amount agreed upon or determined by adjudication shall be made by Japan in yen.

(c) Such payment, whether made pursuant to a settlement or to adjudication of the case by a competent tribunal of Japan, or the final adjudication by such a tribunal denying payment, shall be binding and conclusive upon the Parties.

(d) Every claim paid by Japan shall be communicated to the appropriate United States authorities together with full particulars and a proposed distribution in conformity with subparagraphs (e) (i) and (ii) below. In default of a reply within two months, the proposed distribution shall be regarded as accepted.

(e) The cost incurred in satisfying claims pursuant to the preceding subparagraphs and paragraph 2 of this Article shall be distributed between the Parties as follows:

(i) Where the United States alone is responsible, the amount awarded or adjudged shall be distributed in the proportion of 25 percent chargeable to Japan and 75 percent chargeable to the United States.

(ii) Where the United States and Japan are responsible for the damage, the amount awarded or adjudged shall be distributed equally between them. Where the damage was caused by the defense services of the United States or Japan and it is not possible to attribute it specifically to one or both of those defense services, the amount awarded or adjudged shall be distributed equally between the United States and Japan.

(iii) Every half-year, a statement of the sums paid by Japan in the course of the half-yearly period in respect of every case regarding which the proposed distribution on a percentage basis has been accepted, shall be sent to the appropriate United States authorities, together with a request for reimbursement. Such reimbursement shall be made, in yen, within the shortest possible time.

(f) Members or employees of the United States armed forces, excluding those employees who have only Japanese nationality, shall not be subject to any proceedings for the enforcement of any judgment given against them in Japan in a matter arising from the performance of their official duties.

(g) Except in so far as subparagraph (e) of this paragraph applies to claims covered by paragraph 2 of this Article, the provisions of this paragraph shall not apply to any claim arising out of or in connection with the navigation or operation of a ship or the loading, carriage, or discharge of a cargo, other than claims for death or personal injury to which paragraph 4 of this Article does not apply.

6. Claims against members or employees of the United States armed forces (except employees who are nationals of or ordinarily resident in Japan) arising out of tortious acts or omissions in Japan not done in the performance of official duty shall be dealt with in the following manner:

(a) The authorities of Japan shall consider the claim and assess compensation to the claimant in a fair and just manner, taking into account all the circumstances of the case, including the conduct of the injured person, and shall prepare a report on the matter.

(b) The report shall be delivered to the appropriate United States authorities who shall then decide without delay whether they will offer an ex gratia payment, and if so, of what amount.

(c) If an offer of ex gratia payment is made, and accepted by the claimant in full satisfaction of his claim, the United States authorities shall make the payment themselves and inform the authorities of Japan of their decision and of the sum paid.

(d) Nothing in this paragraph shall affect the jurisdiction of the courts of Japan to entertain an action against a member or an employee of the United States armed forces unless and until there has been payment in full satisfaction of the claim.

7. Claims arising out of the unauthorized use of any vehicle of the United States armed forces shall be dealt with in accordance with paragraph 6 of this Article, except in so far as the United States armed forces are legally responsible.

8. If a dispute arises as to whether a tortious act or omission of a member or an employee of the United States armed forces was done in the performance of official duty or as to whether the use of any vehicle of the United States armed forces was unauthorized, the question shall be submitted to an arbitrator appointed in accordance with paragraph 2(b) of this Article, whose decision on this point shall be final and conclusive.

9. (a) The United States shall not claim immunity from the jurisdiction of the courts of Japan for members or employees of the United States armed forces in respect of the civil jurisdiction of the courts of Japan except to the extent provided in paragraph 5(f) of this Article.

(b) in case any private movable property, excluding that in use by the United States armed forces, which is subject to compulsory execution under Japanese law, is within the facilities and areas in use by the United States armed forces, the United States authorities shall, upon the request of Japanese courts, possess and turn over such property to the Japanese authorities.

(c) The authorities of the United States and Japan shall cooperate in the procurement of evidence for a fair hearing and disposal of claims under this Article.

10. Disputes arising out of contracts concerning the procurement of materials, supplies, equipment, services and labor by or for the United States armed forces, which are not resolved by the parties to the contract concerned, may be submitted to the Joint Committee for conciliation, provided that the provisions of this paragraph shall not prejudice any right which the parties to the contract may have to file a civil suit.

11. The term "defense services" used in this Article is understood to mean for Japan its Self-Defense Forces and for the United States its armed forces.

12. Paragraphs 2 and 5 of this Article shall apply only to claims arising incident to non-combat activities.

13. The provisions of this Article shall not apply to any claims which arose before the entry into force of this Agreement. Such claims shall be dealt with by the provisions of Article XVIII of the Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan.

ARTICLE XIX

1. Members of the United States armed forces, the civilian component, and their dependents, shall be subject to the foreign exchange controls of the Government of Japan.

2. The preceding paragraph shall not be construed to preclude the transmission into or outside of Japan of United States dollars or dollar instruments representing the official funds of the United States or realized as a result of service or employment in connection with this Agreement by members of the United States armed forces and the civilian component, or realized by such persons and their dependents from sources outside of Japan.

3. The United States authorities shall take suitable measures to preclude the abuse of the privileges stipulated in the preceding paragraph or circumvention of the Japanese foreign exchange controls.

ARTICLE XX

1. (a) United States military payment certificates denominated in dollars may be used by persons authorized by the United States for internal transactions within the facilities and areas in use by the United States armed forces. The Government of the United States will take appropriate action to insure that authorized personnel are prohibited from engaging in transactions involving military payment certificates except as authorized by United States regulations. The government of Japan will take necessary action to prohibit unauthorized persons from engaging in transactions involving military payment certificates and with the aid of United States authorities will undertake to apprehend and punish any person or persons under its jurisdiction involved in the counterfeiting or uttering of counterfeit military payment certificates.

(b) It is agreed that the United States authorities will apprehend and punish members of the United States armed forces, the civilian component, or their dependents, who tender military payment certificates to unauthorized persons and that no obligation will be due to such unauthorized persons or to the Govern-

ment of Japan or its agencies from the United States or any of its agencies as a result of any unauthorized use of military payment certificates within Japan.

2. In order to exercise control of military payment certificates the United States may designate certain American financial institutions to maintain and operate, under United States supervision, facilities for the use of persons authorized by the United States to use military payment certificates. Institutions authorized to maintain military banking facilities will establish and maintain such facilities physically separated from their Japanese commercial banking business, with personnel whose sole duty is to maintain and operate such facilities. Such facilities shall be permitted to maintain United States currency bank accounts and to perform all financial transactions in connection therewith including receipt and remission of funds to the extent provided by Article XIX, paragraph 2, of this Agreement.

ARTICLE XXI

The United States may establish and operate, within the facilities and areas in use by the United States armed forces, United States military post offices for the use of members of the United States armed forces, the civilian component, and their dependents, for the transmission of mail between United States military post offices in Japan and between such military post offices and other United States post offices.

ARTICLE XXII

The United States may enroll and train eligible United States citizens residing in Japan, who apply for such enrollment, in the reserve organizations of the armed forces of the United States.

ARTICLE XXIII

The United States and Japan will cooperate in taking such steps as may from time to time be necessary to ensure the security of the United States armed forces, the members thereof, the civilian component, their dependents, and their property. The Government of Japan agrees to seek such legislation and to take such other action as may be necessary to ensure the adequate security and protection within its territory of installations, equipment, property, records and official information of the United States, and for the punishment of offenders under the applicable laws of Japan.

ARTICLE XXIV

1. It is agreed that the United States will bear for the duration of this Agreement without cost to Japan all expenditures incident to the maintenance of the United States armed forces in Japan except those to be borne by Japan as provided in Articles II and III.

2. It is agreed that Japan will furnish for the duration of this Agreement without cost to the United States and make compensation where appropriate to the owners and suppliers thereof all facilities and areas and rights of way, including facilities and areas jointly used such as those at airfields and ports, as provided in Articles II and III.

3. It is agreed that arrangements will be effected between the Governments of the United States and Japan for accounting applicable to financial transactions arising out of this Agreement.

ARTICLE XXV

1. A Joint Committee shall be established as the means for consultation between the Government of the United States and the Government of Japan on all matters requiring mutual consultation regarding the implementation of this Agreement. In particular, the Joint Committee shall serve as the means for consultation in determining the facilities and areas in Japan which are required for the use of the United States in carrying out the purposes of the Treaty of Mutual Cooperation and Security.

2. The Joint Committee shall be composed of a representative of the Government of the United States and a representative of the Government of Japan, each of whom shall have one or more deputies and a staff. The Joint Committee

shall determine its own procedures, and arrange for such auxiliary organs and administrative services as may be required. The Joint Committee shall be so organized that it may meet immediately at any time at the request of the representative of either the Government of the United States or the Government of Japan.

3. If the Joint Committee is unable to resolve any matter, it shall refer that matter to the respective Governments for further consideration through appropriate channels.

ARTICLE XXVI

1. This Agreement shall be approved by the United States and Japan in accordance with their legal procedures, and notes indicating such approval shall be exchanged.

2. After the procedure set forth in the preceding paragraph has been followed, this Agreement will enter into force on the date of coming into force of the Treaty of Mutual Cooperation and Security, at which time the Administrative Agreement under Article III of the Security Treaty between the United States of America and Japan, signed at Tokyo on February 28, 1952, as amended, shall expire.

3. The Government of each Party to this Agreement undertakes to seek from its legislature necessary budgetary and legislative action with respect to provisions of this Agreement which require such action for their execution.

ARTICLE XXVII

Either Government may at any time request the revision of any Article of this Agreement, in which case the two Governments shall enter into negotiation through appropriate channels.

ARTICLE XXVIII

This Agreement, and agreed revision thereof, shall remain in force while the Treaty of Mutual Cooperation and Security remains in force unless earlier terminated by agreement between the two Governments.

In witness whereof the undersigned Plenipotentiaries have signed this Agreement.

Done at Washington, in duplicate, in the English and Japanese languages, both texts equally authentic, this 19th day of January, 1960.

For the United States of America :

CHRISTIAN A. HERTER,
DOUGLAS MACARTHUR 2ND,
J. GRAHAM PARSONS.

For Japan :

NOBUSUKE KISHI,
AICHIRO FUJIYAMA,
MITSUJIRO ISHII,
TADASHI ADACHI,
KOICHIRO ASAKAI.

AGREED MINUTES TO THE AGREEMENT UNDER ARTICLE VI OF THE TREATY OF MUTUAL COOPERATION AND SECURITY BETWEEN THE UNITED STATES OF AMERICA AND JAPAN, REGARDING FACILITIES AND AREAS AND THE STATUS OF UNITED STATES ARMED FORCES IN JAPAN

The Plenipotentiaries of the United States of America and Japan wish to record the following understanding which they have reached during the negotiations for the Agreement under Article VI of the Treaty of Mutual Cooperation and Security between the United States of America and Japan, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan, signed today :

ARTICLE III

The measures that may be taken by the United States under paragraph 1 shall, to the extent necessary to accomplish the purposes of this Agreement, include, *inter alia*, the following :

1. To construct (including dredging and filling), operate, maintain, utilize, occupy, garrison and control the facilities and areas ;

2. To remove buildings or structures, make alterations, attach fixtures, or erect additions thereto and to construct any additional buildings or structures together with auxiliary facilities;

3. To improve and deepen the harbors, channels, entrances and anchorages, and to construct or maintain necessary roads and bridges affording access to such facilities and areas;

4. To control (including measures to prohibit) in so far as may be required by military necessity for the efficient operation and safety of the facilities and areas, anchorages, moorings, landings, takeoffs and operation of ships and waterborne craft, aircraft and other vehicles on water, in the air or on land comprising, or in the vicinity of, the facilities and areas;

5. To construct on rights of way utilized by the United States such wire and radio communications facilities, including submarine and subterranean cables, pipe lines and spur tracks from railroads, as may be required for military purposes; and

6. To construct, install, maintain and employ in any facility or area any type of installation, weapon, substance, device, vessel or vehicle on or under the ground, in the air or on or under the water that may be requisite or appropriate including meteorological systems, aerial and water navigation lights, radio and radar apparatus and electronic devices.

ARTICLE V

1. "United States and foreign vessels . . . operated by, for, or under the control of the United States for official purposes" mean United States public vessels and chartered vessels (bare boat charter, voyage charter and time charter). Space charter is not included. Commercial cargo and private passengers are carried by them only in exceptional cases.

2. The Japanese ports mentioned herein will ordinarily mean "open ports."

3. The exemption from making "appropriate notification" will be applicable only to exceptional cases where such is required for security of the United States armed forces or similar reasons.

4. The laws and regulations of Japan will be applicable except as specifically provided otherwise in this Article.

ARTICLE VII

The problem of telecommunications rates applicable to the United States armed forces will continue to be studied in the light of, *inter alia*, the statements concerning Article VII recorded in the official minutes of the Tenth Joint Meeting for the Negotiation of the Administrative Agreement signed on February 28, 1952, which are hereby incorporated by reference.

ARTICLE IX

The Government of Japan will be notified at regular intervals, in accordance with procedures to be agreed between the two Governments, of numbers and categories of persons entering and departing.

ARTICLE XI

1. The quantity of goods imported under paragraph 2 by the organizations provided for in Article XV for the use of the members of the United States armed forces, the civilian component, and their dependents shall be limited to the extent reasonably required for such use.

2. Paragraph 3(a) does not require concurrent shipment of goods with travel of owner nor does it require single loading or shipment.

3. The term "military cargo" as used in paragraph 5(c) is not confined to arms and equipment but refers to all cargo shipped to the United States armed forces on a United States Government bill of lading, the term "military cargo" being used to distinguish cargo shipped to the United States armed forces from cargo shipped to other agencies of the United States Government.

4. The United States armed forces will take every practicable measure to ensure that goods will not be imported into Japan by or for the members of the United States armed forces, the civilian component, or their dependents, the entry of

which would be in violation of Japanese customs laws and regulations. The United States armed forces will promptly notify the Japanese customs authorities whenever the entry of such goods is discovered.

5. The Japanese customs authorities may, if they consider that there has been an abuse or infringement in connection with the entry of goods under Article XI, take up the matter with the appropriate authorities of the United States armed forces.

6. The words "The United States armed forces shall render all assistance within their power etc." in paragraph 9(b) and (c) refer to reasonable and practicable measures by the United States armed forces.

ARTICLE XII

1. The United States armed forces will furnish the Japanese authorities with appropriate information as far in advance as practicable on anticipated major changes in their procurement program in Japan.

2. The problem of a satisfactory settlement of difficulties with respect to procurement contracts arising out of differences between United States and Japanese economic laws and business practices will be studied by the Joint Committee or other appropriate persons.

3. The procedures for securing exemptions from taxation on purchases of goods for ultimate use by the United States armed forces will be as follows:

a. Upon appropriate certification by the United States armed forces that materials, supplies and equipment consigned to or destined for such forces, are to be used, or wholly or partially used up, under the supervision of such forces, exclusively in the execution of contracts for the construction, maintenance or operation of the facilities and areas referred to in Article II or for the support of the forces therein, or are ultimately to be incorporated into articles or facilities used by such forces, an authorized representative of such forces shall take delivery of such materials, supplies and equipment directly from manufacturers thereof. In such circumstances the collection of commodity and gasoline taxes shall be held in abeyance.

b. The receipt of such materials, supplies and equipment in the facilities and areas shall be confirmed by an authorized officer of the United States armed forces to the Japanese authorities.

c. Collection of commodity and gasoline taxes shall be held in abeyance until:

- (1) The United States armed forces confirm and certify the quantity or degree of consumption of the above referred to materials, supplies and equipment; or
- (2) The United States armed forces confirm and certify the amount of the above referred to materials, supplies, and equipment which have been incorporated into articles or facilities used by United States armed forces.

d. Materials, supplies, and equipment certified under c(1) or (2) shall be exempt from commodity and gasoline taxes insofar as the price thereof is paid out of United States Government appropriations or out of funds contributed by the Japanese Government for disbursement by the United States.

4. The Government of the United States shall ensure that the Government of Japan is reimbursed for costs incurred under relevant contracts between appropriate authorities of the Government of Japan and the organizations provided for in Article XV in connection with the employment of workers to be provided for such organizations.

5. It is understood that the term "the legislation of Japan" mentioned in paragraph 5, article XII includes decisions of the courts and the Labor Relations Commissions of Japan, subject to the provisions of paragraph 6, Article XII.

6. It is understood that the provisions of Article XII, paragraph 6 shall apply only to discharges for security reasons including disturbing the maintenance of military discipline within the facilities and areas used by the United States armed forces.

7. It is understood that the organizations referred to in Article XV will be subject to the procedures of paragraph 6 on the basis of mutual agreement between the appropriate authorities.

ARTICLE XIII

With respect to Article XIII, paragraph 2 and Article XIV, paragraph 7, income payable in Japan as a result of service with or employment by the United

States armed forces or by the organizations provided for in Article XV, or under contract made in the United States with the United States Government, shall not be treated or considered income derived from Japanese sources.

ARTICLE XV

The facilities referred to in paragraph 1 may be used by other officers and personnel of the United States Government ordinarily accorded such privileges abroad.

ARTICLE XVII

Re paragraph 1(a) and paragraph 2(a) :

"The scope of persons subject to the military laws of the United States shall be communicated, through the Joint Committee, to the Government of Japan by the Government of the United States."

Re paragraph 2(c) :

"Both Governments shall inform each other of the details of all the security offenses mentioned in this subparagraph and the provisions governing such offenses in the existing laws of their respective countries."

Re paragraph 3(a) (ii) :

"Where a member of the United States armed forces or the civilian component is charged with an offense, a certificate issued by or on behalf of his commanding officer stating that the alleged offense, if committed by him, arose out of an act or omission done in the performance of official duty, shall, in any judicial proceedings, be sufficient evidence of the fact unless the contrary is proved.

The above statement shall not be interpreted to prejudice in any way Article 318 of the Japanese Code of Criminal Procedure."

Re paragraph 3(c) :

"1. Mutual procedures relating to waivers of the primary right to exercise jurisdiction shall be determined by the Joint Committee.

"2. Trials of cases in which the Japanese authorities have waived the primary right to exercise jurisdiction, and trials of cases involving offenses described in paragraph 3(a) (ii) committed against the State or nationals of Japan shall be held promptly in Japan within a reasonable distance from the places where the offenses are alleged to have taken place unless other arrangements are mutually agreed upon. Representatives of the Japanese authorities may be present at such trials."

Re paragraph 4 :

"Dual nationals, United States and Japanese, who are subject to the military law of the United States and are brought to Japan by the United States shall not be considered as nationals of Japan, but shall be considered as United States nationals for the purposes of this paragraph."

Re paragraph 5 :

"1. In case the Japanese authorities have arrested an offender who is a member of the United States armed forces, the civilian component, or a dependent subject to the military law of the United States with respect to a case over which Japan has the primary right to exercise jurisdiction, the Japanese authorities will, unless they deem that there is adequate cause and necessity to retain such offender, release him to the custody of the United States military authorities provided that he shall, on request, be made available to the Japanese authorities, if such be the condition of his release. The United States authorities shall, on request, transfer his custody to the Japanese authorities at the time he is indicted by the latter.

"2. The United States military authorities shall promptly notify the Japanese authorities of the arrest of any member of the United States armed forces, the civilian component or a dependent in any case in which Japan has the primary right to exercise jurisdiction."

Re paragraph 9 :

"1. The rights enumerated in items (a) through (e) of this paragraph are guaranteed to all persons on trial in Japanese courts by the provisions of the Japanese Constitution. In addition to these rights, a member of the United States armed forces, the civilian component or a dependent who is prosecuted under the jurisdiction of Japan shall have such other rights as are guaranteed under the laws of Japan to all persons on trial in Japanese courts. Such addi-

tional rights include the following which are guaranteed under the Japanese Constitution:

"(a) He shall not be arrested or detained without being at once informed of the charge against him or without the immediate privilege of counsel; nor shall he be detained without adequate cause; and upon demand of any person such cause must be immediately shown in open court in his presence and the presence of his counsel;

"(b) He shall enjoy the right to a public trial by an impartial tribunal;

"(c) He shall not be compelled to testify against himself;

"(d) He shall be permitted full opportunity to examine all witnesses;

"(e) No cruel punishments shall be imposed upon him.

"2. The United States authorities shall have the right upon request to have access at any time to members of the United States armed forces, the civilian component, or their dependents who are confined or detained under Japanese authority.

"3. Nothing in the provisions of paragraph 9(g) concerning the presence of a representative of the United States Government at the trial of a member of the United States armed forces, the civilian component or a dependent prosecuted under the jurisdiction of Japan, shall be so construed as to prejudice the provisions of the Japanese Constitution with respect to public trials."

Re paragraphs 10(a) and 10(b):

"1. The United States military authorities will normally make all arrests within facilities and areas in use by and guarded under the authority of the United States armed forces. This shall not preclude the Japanese authorities from making arrests within facilities and areas in cases where the competent authorities of the United States armed forces have given consent, or in cases of pursuit of a flagrant offender who has committed a serious crime.

Where persons whose arrest is desired by the Japanese authorities and who are not subject to the jurisdiction of the United States armed forces are within facilities and areas in use by the United States armed forces, the United States military authorities will undertake, upon request, to arrest such persons. All persons arrested by the United States military authorities, who are not subject to the jurisdiction of the United States armed forces, shall immediately be turned over to the Japanese authorities.

"The United States military authorities may, under due process of law, arrest in the vicinity of a facility or area any person in the commission or attempted commission of an offense against the security of that facility or area. Any such person not subject to the jurisdiction of the United States armed forces shall be immediately turned over to the Japanese authorities.

"2. The Japanese authorities will normally not exercise the right of search, seizure, or inspection with respect to any persons or property within facilities and areas in use by and guarded under the authority of the United States armed forces or with respect to property of the United States armed forces wherever situated, except in cases where the competent authorities of the United States armed forces consent to such search, seizure, or inspection by the Japanese authorities of such persons or property.

"Where search, seizure, or inspection with respect to persons or property within facilities and areas in use by the United States armed forces or with respect to property of the United States armed forces in Japan is desired by the Japanese authorities, the United States military authorities will undertake, upon request, to make such search, seizure, or inspection. In the event of a judgment concerning such property, except property owned or utilized by the United States Government or its instrumentalities, the United States will turn over such property to the Japanese authorities for disposition in accordance with the judgment."

ARTICLE XIX

Payment in Japan by the United States armed forces and by those organizations provided in Article XV to persons other than members of the United States armed forces, civilian component, their dependents and those persons referred to in Article XIV shall be effected in accordance with the Japanese Foreign Exchange Control Law and regulations. In these transactions the basic rate of exchange shall be used.

ARTICLE XXI

United States military post offices may be used by other officers and personnel of the United States Government ordinarily accorded such privileges abroad.

ARTICLE XXIV

It is understood that nothing in this Agreement shall prevent the United States from utilizing, for the defrayment of expenses which are to be borne by the United States under this Agreement, dollar or yen funds lawfully acquired by the United States.

WASHINGTON, January 19, 1960.

C. A. H.
N. K

DEPARTMENT OF STATE,
Washington, January 19, 1960.

His Excellency NOBUSUKE KISHI,
Prime Minister of Japan.

EXCELLENCY: I have the honor to refer to paragraph 6(d) of Article XII of the Agreement under Article VI of the Treaty of Mutual Cooperation and Security between the United States of America and Japan, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan, signed today. The second sentence of the said paragraph provides that "in such case the Government of the United States shall pay to the Government of Japan an amount equal to the cost of employment of the worker for a period of time to be agreed between the two Governments."

I wish to propose on behalf of the Government of the United States that the period of time mentioned above shall not exceed one year after the notification provided for in paragraph 6(b) of Article XII of the above-cited Agreement, and may be determined in the consultations under paragraph 6(c) of Article XII above on the basis of mutually agreeable criteria.

If the proposal made herein is acceptable to the Government of Japan, this Note and Your Excellency's reply to that effect shall be considered as constituting an agreement between the two Governments.

Accept, Excellency, the renewed assurances of my highest consideration.

CHRISTIAN A. HERTER,
Secretary of State of the United States of America.

WASHINGTON, January 19, 1960.

His Excellency CHRISTIAN A. HERTER,
Secretary of State of the United States of America.

EXCELLENCY: I have the honour to acknowledge the receipt of Your Excellency's Note of today's date, which reads as follows:

"I have the honor to refer to paragraph 6(d) of Article XII of the Agreement under Article VI of the Treaty of Mutual Cooperation and Security between the United States of America and Japan, Regarding Facilities and Areas and the Status of United States Armed Forces in Japan, signed today. The second sentence of the said paragraph provides that 'in such case the Government of the United States shall pay to the Government of Japan an amount equal to the cost of employment of the worker for a period of time to be agreed between the two Governments.

"I wish to propose on behalf of the Government of the United States that the period of time mentioned above shall not exceed one year after the notification provided for in paragraph 6(b) of Article XII of the above-cited Agreement, and may be determined in the consultations under paragraph 6(c) of Article XII above on the basis of mutually agreeable criteria.

"If the proposal made herein is acceptable to the Government of Japan, this Note and Your Excellency's reply to that effect shall be considered as constituting an agreement between the two Governments."

I have the honour to inform Your Excellency that the Government of Japan accepts the above proposal of the Government of the United States, and to confirm that your Note and this reply are considered as constituting an agreement between the two Governments.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

NOBUSUKE KISHI.

3. "DEFENSE OF JAPAN"

Defense White Paper—Summary, June 1976

(Published by the Japanese Defense Agency)

Japan's internal and external environments have undergone far-reaching changes since 1970 when the last Defense White Paper was published. The current White Paper is designed partly to clarify the background against which the so-called "post Fourth Defense Buildup Plan" is being programmed, and primarily to give a wider segment of the public an understanding of the realities of the international environment, the basic concepts of our national defense and some facts about the self-defense forces. The Paper consists of four chapters: Chapter I: Trends of the International Situation. Chapter II: Defense Policies of Japan. Chapter III: The Public and Self-Defense Forces. Chapter IV: SDF and Their Major Activities.

In Chapter I, the international situation is analyzed in terms of its relatively long range trends and with emphasis on the factors relevant to the concept of our national defense policies. The chapter also outlines the general implications and the respective roles of the collective security system and military power in the nuclear age; it also elaborates factual data on the military presence around Japan.

Readers will find in Chapter II explanations of our basic defense policies, including the concept of a basic standing force which can be characterized as a basic defense capability.

Chapter III is devoted to civilian control and other related issues indispensable for understanding the fact that the self-defense forces are people's arms and their effectiveness depends on mutual trust.

The last chapter includes factual information on the forces, their activities and some of the problems inherent to their organization.

Chapter I. Trends of the International Situation

1. COEXISTENCE AND STRUGGLE

A. East-West relations

(a) The United States and the Soviet Union, fearing the consequences of mutual use of nuclear arms with massive destructive power, have found that it is to their mutual interest to continue their dialogue on how to avoid crisis, whatever their conflict of interests, and to adopt political and military measures necessary for accommodation. Thus East-West dialogue has continued in Europe where impressive military forces, including those of the two superpowers, directly confront each other; and potential confrontations have been controlled in other regions of the world where the interests of the two powers are deeply involved.

(b) In the background of this trend exists a military equilibrium based on a mutual nuclear deterrence between the United States and the Soviet Union or between Western and Eastern Europe. Also contributing to this trend is the common recognition that nations increasingly have to turn their eyes to their own problems, that military expenditures would become too heavy to bear if they should increase as tension remains and grows, and that many global problems are beyond resolution by military means only. In Asia, the Sino-United States rapprochement became to some extent a regional stabilizing factor; but the region is far from stable because of its multiplicity which has no parallel in Europe but has long been inherent to Asia.

(c) On the other hand, the world has faced a series of wide-ranging problems—population increase, poverty, resources, pollution, among others. In the 1970's in particular, food, oil and other resources have become serious issues which impressed the world with the urgent need for international cooperation. The issues no longer remain purely economic but are today identified as problems

directly relevant to national security. As a result, the growing need for international interdependence cannot fail to have a favorable impact on East-West relations.

(d) However, the United States and the Soviet Union do not hide the mutual distrust that lies underneath their détente; in fact, critical voices are constantly raised in their respective domestic scene against concessions and compromises related to détente. The United States interprets détente as a policy that governs, with limitations, the relations between superpowers who are essentially in a state of confrontation. The United States, therefore, seeks a more stabilized international order by, on one hand, maintaining sufficient military power necessary for a military equilibrium and, on the other, continuing her dialogue with Moscow. As for the Soviet Union, peaceful coexistence is designed to avoid war with nations with different social systems. Her policy, however, never rules out all types of struggles, either national liberation or ideological.

(e) All this inevitably reveals the limit of détente. Its primary objective is nothing but the avoidance of an intercontinental nuclear war as well as conventional armed conflict that might escalate to such a war. Hence, détente does not keep big powers from staging political struggles for expanding influence or for preventing it. Neither does détente itself prevent military conflict in the areas where big powers have only limited strategic interest, as evident in the case of Angola.

(f) The emergence of China as a nuclear power has made international relations more complex than before and has contributed to the multipolarization of world politics. Against the background of the Sino-Soviet dispute, China never ceases to be defiant vis-a-vis her northern neighbor and always challenges any possible creation of a new international order under a Pax Russo-Americana.

(g) Thus the realities of the world today are far removed from peace: powers, in the East and the West, build up their military capabilities while keeping their mutual distrust under the carpet, and make political accommodation only to the extent it is necessary. Détente or reduction of tension basically connotes both coexistence and struggle between East and West. Consequently the international community would have to live, for the foreseeable future, with the realities of a continuous cycle of tension and relaxation. However inevitable the parallel presence of coexistence and struggle may be, if international relations are to turn more stable, the world may continue to need international efforts to maximize the coexistence relationship and to minimize the struggle factors through accelerated development of arms control and other measures.

B. Roles of collective security systems

(a) Direct, armed collision has so far been successfully deterred both between the two nuclear superpowers and between collective security organizations, each with a US or Soviet deterrent, including nuclear capabilities, integrated as their respective basic security factor. The rest of the world, however, has suffered from countless military clashes since the end of World War II.

(b) The collective security system among nations had primarily been military in Cold War days. As East-West confrontation was relaxed and interdependence gained momentum, the system has become the base for a wider spectrum of cooperative relations, not only military but also political and economic.

(c) This does not spell an end to conflict of interests or to confrontation among nations. In the contemporary international community where the UN peacekeeping function falls short of an effective means, collective security systems under regional arrangements still remain an appropriate option.

C. Contemporary implication of military power

(a) In the politico-military context outlined above, a kind of stability exists among the major nations today. To uphold this stability, however, the US and the Soviet Union have to keep their nuclear capabilities invulnerable while others maintain a military potential based on credible conventional arms. It might sound paradoxical that a strong military power is essential for the maintenance of peace; it might not be so, however, if one identifies military power with the strength to deter war. This is the basic characteristic of military power in the nuclear age.

(b) To avoid wars of any kind, a chain of nations should have no single feeble link which might provoke a military challenge; only an international system whose every link is strong and enduring can survive any test it faces. An appropriate defense posture, coupled with diplomatic efforts, is the first step to

strengthen the links of the chain of nations and to make peace strategy viable. Such a defense posture depends, first of all, on a collective security system based on common will and mutual responsibility.

Secondly, it implies that every member nation of the system must have a strong will and capability to defend itself by itself. The maintenance and improvement of such a posture over a long period is the prerequisite of regional stability and peace.

(c) Even if a war should break out, the major powers will most likely try to avoid a nuclear exchange or a large scale military conflict; thus it is quite possible that the actual employment of their military means will be limited to a significantly lower level than what their inherent military might represents. This explains why even a nonnuclear military power can be useful for the defense of small and medium nations.

2. STRATEGIC ENVIRONMENT OF JAPAN

A. Most Asian nations have built-in domestic problems which, coupled with regional multiplicity, contribute to an ever present instability. To make the matter more complex, China and the Soviet Union almost annually step up their positive approaches to these nations; nowhere in the world does the Sino-Soviet rivalry seem to be so overt and intensive. The United States, on the other hand, plays the role of a counter-weight to the communist rivalry by expressing her concern in terms of a visible presence in the region.

B. Northeast Asia is the area where the vital strategic interests of the United States, the Soviet Union and China converge. It is also one of the areas where a number of bilateral security systems function effectively, more or less. In sharp contrast to the European environment, the area is laced with confrontations and rivalries making it one of the most unstable regions in the world. A large scale armed conflict, however, is deterred at the moment by the tacit efforts of the United States, the Soviet Union and China.

C. On the other hand, the United States and the Soviet Union maintain in this area frontal deployments of their armed forces, second in scale only to those of the European front. China and the Soviet Union have contributed since the late 1960's to a continued military tension along their land border where troop concentrations are obvious on both sides.

D. The Soviet military has deployed in this region a sizable military force with a variety of combat capabilities which seems to have been substantially augmented in quality and quantity in recent years. In particular, its Pacific Fleet has acquired the status of a full-fledged Blue Water navy.

E. China possesses a substantial military power with, as its mainstay, an army with the largest manpower in the world and some nuclear capability. She seems to be now focusing her efforts on the modernization of her military capability.

F. The United States has gradually streamlined and reduced her military presence in this region, but she still deploys an infantry and a marine division in the Korean Peninsula and Okinawa respectively while her 7th Fleet and the 5th Air Force maintain high mobile strike capabilities.

G. In the Korean Peninsula, the confrontation continues between the north and the south with each side deploying more than a total one million regular troops in highest combat ready status. The area thus is one of the highest threat areas in the world in terms of military tension. A military contingency, however, still remains a remote likelihood mainly due to the continued military equilibrium supported by the US military presence in Korea.

H. Military situation in Japan's periphery: Chart 1 and 2 show the general trend of the military disposition around Japan and the deployment of forces in her periphery.

Chapter II. Defense Policies of Japan

1. BASIS OF DEFENSE POLICIES

A. Fundamental implication of defense capability

(a) A nation possesses its own defense capability as a demonstration of its people's will and responsibility to defend their freedom, independence and security, and to uphold peace, progress and prosperity. In Japan's case, such a capability must be strictly for purely defensive purposes in accordance with the stipulation of article 9 of the Constitution.

(b) With respect to nuclear arms, the three non-nuclear principles will be maintained and, against a nuclear threat, Japan will depend on the credibility of the American nuclear deterrent. If Japan should take a nuclear option even for a purely defensive purpose, her actual possession of nuclear arms will create serious suspicion and fear on the part of other nations. So long as Japan stands on this premise, she should feel no need to go nuclear, from not only the military but also the political viewpoints.

(c) With this as the basic characteristic, Japan's defense capability should be ready to deal with a contingency by denying others easy armed aggression. This defense capability, together with the United States-Japan security system, must form a defense posture that leaves no operational deficiency. And under this system, the capability must be one which can function effectively in preventing an aggression before it is actually launched.

(d) The implication of possessing such a defense capability lies not so much in fighting a contingency as in functioning for the maintenance of peace. The capability, coupled with the United States-Japan security system, substantially contributes to a stable equilibrium of international relations in Asia. From this point of view, our defense capability should be of a size appropriate for such an implication and a contribution; it also must be of a nature that directly serves the public in helping and cooperating with them in peacetime.

B. United States-Japan security system

(a) The system is generally understood to play the role of preventing aggression against Japan from actually taking place, and of limiting the scale of an invasion, should it ever be undertaken.

(b) The system is also instrumental in providing the US forces with facilities and areas for their use, which in turn make their presence tenable. An integral part of the basic framework of international relations in Asia, the system thus contributes to the stability of the world and the maintenance of peace. Finally, but not the least importantly, it is the indispensable base of the wider spectrum of friendly United States-Japanese relations.

2. THE CONCEPT OF BASIC STANDING FORCE

A. Procedural background

The concept has been adopted by the Defense Agency in planning the follow-on of the Fourth Five-Year Defense Buildup Program (fiscal year 1972-76). It is expected to make the buildup program more concrete, practical, rationale and meaningful than it has ever been. In other words, the concept represents a form of thinking fed into the policy-drafting process in the Agency, and hence will be an input into a further review as to its practicability before it will be submitted to the Defense Council for a final decision.

B. International environment

The concept presupposes a continued, effective maintenance of the United States-Japan security system, and in addition assumes:

(a) that the United States and the Soviet Union will try to avoid an inter-continental nuclear war and an armed conflict which might lead to their full-scale involvement.

(b) that the Soviet Union will continue to face many European problems—a NATO-Warsaw Pact confrontation and the control of East European nations, among other matters.

(c) that Sino-Soviet relations, if improved partially, will most unlikely lead to an end of confrontation.

(d) that in Sino-U.S. relations, a further adjustment will continue on a reciprocal basis, and

(e) that the status quo, more or less, will be maintained in the Korean Peninsula where a minor incident would not escalate to a large-scale conflict.

This series of assumptions makes it almost unthinkable that a large-scale military aggression might be launched against Japan but does not rule out the possibility of a spin-off from an armed conflict in Japan's peripheral areas and of other small-scale military invasions.

C. Conceptual implications

(a) Against the background of the international environment assumed above, our defense capability could be identified with a defense power in peacetime. Its

primary goal is not so much an ability to deal with a specific, imminent threat as a basic posture streamlined as a whole with no gross deficiency and well-balanced so far as its integral elements are concerned. Such a defense capability by nature spells that:

(i) Every integral element of defense should have no serious deficiency so that the capability as a whole would be sufficient to take minimum, necessary steps in dealing with possible aggression staged by any of the conventional means,

(ii) In terms of operational function, all the elements must be built up and organized by taking into account the characteristics of Japan's peculiar terrain and other local conditions. This is indispensable for an organized defensive reaction to an aggression, from its very outset, should it break out in either Japan's territory or her peripheral air or sea space. The organization needs both a balance between, and an organic integration of, combat and logistic elements, if they are to operate as an effective, comprehensive defense power against the aggression.

(iii) In peacetime, the defense capability should undertake meticulously planned training and education. Further, to be always ready for rescue-relief operation in case of a large-scale natural disaster, the required units with necessary facilities and equipment ought to be prepositioned in such a manner as to leave no serious geographical gap.

(b) In terms of operational capability, the basic standing force must maintain the following posture:

(i) For a quick and flexible response to changes in situations, a higher priority should be given to operational readiness of air and strait surveillance as well as other intelligence activities than to other elements of the defense capability.

(ii) The basic standing force must maintain an operational posture ready to deal quickly and appropriately with indirect aggression, violations of territorial air and other types of illegal military acts.

(iii) A most conceivable small-scale aggression, if any, may well turn out to be a near-surprise attack. This spells a need for a quick response posture which in turn depends on the sufficiency of manpower and equipment within a necessary limit.

(iv) In upgrading various force functions and equipment, it should be taken into account that the United States-Japan security system would function effectively; that in turn means that smooth operational coordination with the U.S. forces will be of critical importance.

(v) The force must be a basis for a smooth expansion and reinforcement to a necessary level, if and when a political decision should be made to that effect in response to changes in the international situation.

D. In short, our defense capability can be best described as the basic standing force—"basic" in that it is similar to a meaningful basic minimum force commonly accepted as something which any independent nation will need, and "standing" in that Japan in particular needs it at all times, given the contemporary domestic climate and international environment. The concept, however, will be subject to a review, should substantial changes emerge in the presupposed international situation.

E. Primary emphasis

A major emphasis is placed on qualitative improvement rather than on quantitative expansion in the planned buildup of our defense capability under the concept of the basic standing force. By qualitative improvement, it is not meant only to upgrade the performance factors of tanks, aircraft, ship and other major equipment but rather to enhance the defense capability as a whole with combat and logistic elements well balanced functionally in the context of an overall national security posture.

Chapter III. The Public and Self-Defense Forces

1. CIVILIAN CONTROL

One factor differentiates the contemporary self-defense forces from the military under the old constitution; it is the fact that they are integrated into a civilian control system that exists in various forms at every planning and policy-making stage from the Diet, the cabinet, the Defense Council to the Defense Agency. The system, if it is to remain valid and viable, should be supported by politico-administrative efforts public concern as well as by the understanding of the men in the forces.

2. "COMMITTEE TO THINK ABOUT DEFENSE"

The 11-member committee was set up to give a conceptual input of public opinion into defense planning for the period that follows the Fourth Defense Buildup Program. The members studied and discussed, among other things, the need for Japan to possess her own defense capability, the implication of the United States-Japan security system and its role. The views and suggestions produced in the committee have contributed substantially to the conceptual work of the basic standing force.

3. PUBLIC UNDERSTANDING AND CONCERN

Public concern in defense affairs has gradually grown greater as evident in a recent public opinion poll which showed that 79 percent of the polled recognized the need for having the self-defense forces. Close contacts are also developing between the public in general and the men in the forces, while a minority of the people still maintains a negative attitude toward the forces, producing a detrimental effect upon the morale of the men in service.

4. DEFENSE FACILITIES AND COMMUNITY

For an overall defense posture, it is critically important that a harmonious relationship should exist between defense facilities and the surrounding community. On one hand, the facilities must function effectively; on the other, the function should not disturb the community excessively. For this purpose, a new law was put into effect in 1974 for the improvement of the living environment around defense facilities. The Agency has since taken positive steps to reduce the noise levels of aircraft and to prevent other forms of possible public nuisance.

5. RESCUE-RELIEF AND OTHER COMMUNITY ACTIVITIES

In addition to their inherent mission, the self-defense forces must contribute to the stabilization of national life by making best use of their organization, equipment and capabilities. They must have undertaken rescue-relief operations, disposal of unexploded bombers and other community activities, including civil engineering projects. The rescue-relief operations have increased both in scope and scale as illustrated in chart 3. An exercise has also been conducted in preparation for a possible major earthquake.

Chapter IV, SDF and Their Major Activities

1. ORGANIZATION AND AUTHORIZED MANPOWER

2. OUTCOME OF THE FOURTH DBP

The five year buildup program for fiscal year 1972-76 is about to end with a substantial proportion of the planned acquisition of major equipment left unaccomplished, mainly due to extremely high procurement cost.

3. NEW UNITS AND NEW EQUIPMENT

Newly organized or commissioned units and equipment include the 1st Tank Brigade, the 7th Antiaircraft Artillery Group, DDG Tachikaze equipped with SAMs, submarine Takashio, and F4EJ squadron and a C-1 Squadron, among others.

4. SCRAMBLES

The Air Self-Defense Force is under alert around the clock against possible violations of Japan's territorial air. In September 1975, for instance, a Soviet plane did violate the territorial air forcing the ASDF to scramble. Frequency of scrambles stands at about 320 times a year (table 1).

5. RESTRICTED TRAINING AIR SPACE

Air space for ASDF training has been strictly restricted since 1971. This creates considerable difficulty in the training programs of jet planes. A similar difficulty exists in finding maneuver grounds for the GSDF and training waters for the MSDF.

6. UPGRADING OF EDUCATION

A Defense Medical College was set up to meet an acute shortage of medical officers while the Defense Academy has added a new faculty of Humanities and Social Science.

7. INTERNAL OPINION SURVEY

A recent survey conducted by the GSDF shows that 74 percent of the men feel their daily duties are worthwhile, that many list, as an ideal mode of living, "life with time for individual hobbies" and that many others call for more intensive daily training.

8. NEW POLICIES FOR SDF PERSONNEL

A new system was initiated to recruit high school graduates of high caliber and train them for quicker promotion to the EM grade; the Agency also improved pay and accommodations for those living in barracks, and started in fiscal year 1974 to accept women in both the MSDF and the ASDF.

9. R. & D. AND DOMESTIC PRODUCTION

Domestic arms production is a desirable option for acquiring equipment that is exactly suitable for Japan's terrain and other specific requirements as well as maintaining a technological potential and streamlining logistic support. However, there can be a case in which domestic technology and cost-effectiveness could be inferior to equipment purchased overseas. Procurement decisions have thus been made on a case-by-case basis. Domestic arms production and R. & D. have to be undertaken in an extremely difficult condition, cost-wise and manpower-wise. The problems that need further scrutiny include, therefore, a selection of items with predetermined priorities, strict evaluation and properly planned home production.

10. DEFENSE EXPENDITURES: THEIR TRENDS

During the Fourth DBP, the defense-expenditure/appropriated-budget ratio decreased annually as shown in Chart 4; the average increase of the expenditure stands at 17.7 percent against 20.9 percent of the appropriated budget. On the other hand, the manpower cost has risen while the proportion allocated to material cost has dropped as shown in chart 5. The absolute amount of Japan's defense expenditure can be ranked 10th in the world; but this is somewhat misleading since Japan belongs to a world group ranked at the bottom if the expenditure is measured in relation to either GNP, per-capita income or the appropriated budget.

FIG. 1.—TREND OF FORCES AROUND JAPAN (APPROXIMATE)

	Division	Naval forces	Air forces
U.S.S.R. in the Far East:			
1965.....	8 (17)	70	1,430
1970.....	20 (22)	100	1,870
1975.....	30 (30)	-----	2,000
China:			
1965.....	225 (115)	21	2,800
1970.....	245 (118)	21	3,300
1975.....	280 (142)	35	4,400
North Korea:			
1965.....	33 (18)	1.5	500
1970.....	37 (22)	1.4	580
1975.....	41 (24)	4.4	590
Republic of Korea:			
1965.....	57 (29)	5.7	-----
1970.....	60 (30)	7.0	200
1975.....	58 (24)	7.8	220
U.S. Forces in the Far East:			
1965.....	8.7 (3)	90	920
1970.....	9.6 (3)	110	740
1975.....	6.6 (2)	60	500
Japan:			
1965.....	15.2 (13)	11.2	720
1970.....	15.8 (13)	13.9	590
1975.....	15.5 (13)	16.8	610

1. The figures for ground forces (10,000 persons) and air forces (combat aircraft) are quoted mainly from the Military Balance published in the corresponding year.

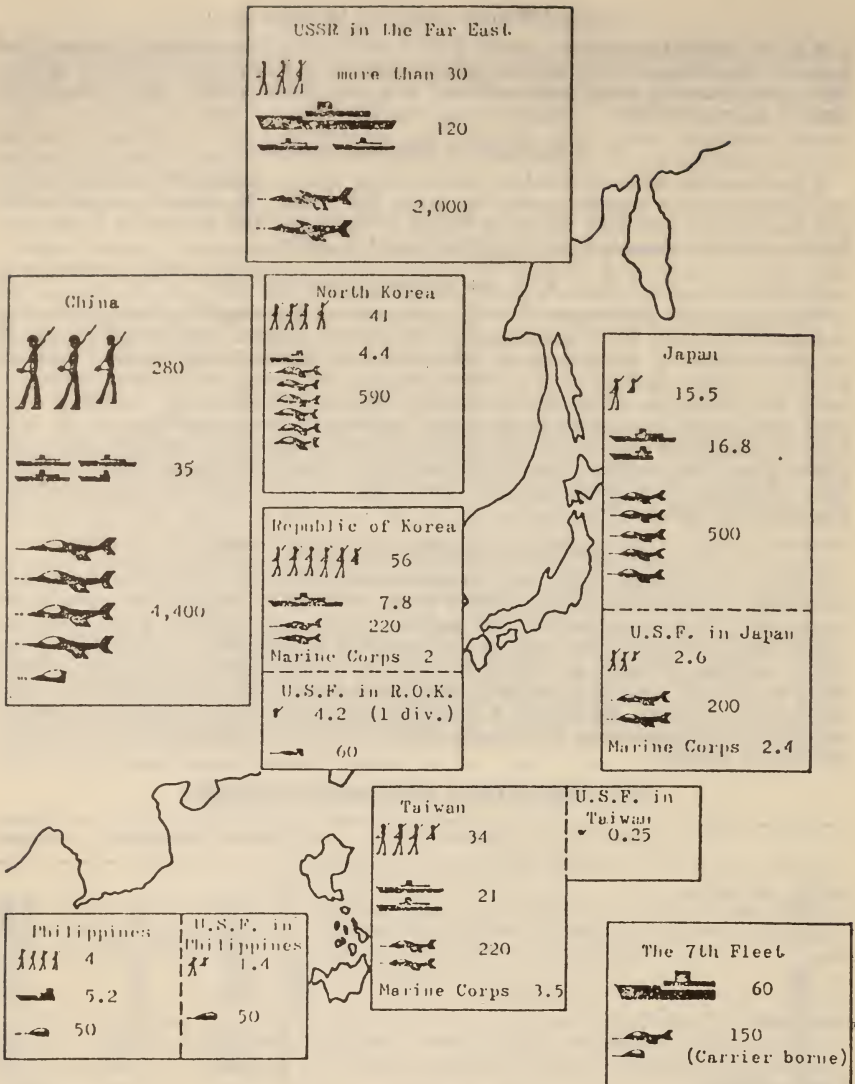
2. The figures for naval forces (10,000 tons) are quoted mainly from the Jane's Fighting Ships published in the corresponding year.

3. The figures for Chinese divisions do not include artillery, and railway construction engineer divisions.

4. Naval force of the U.S. forces in the Far East is the 7th Fleet. Air forces include carrier borne elements of the 7th Fleet.

5. U.S. forces in the Far East are in Japan, the Republic of Korea, Taiwan, and Philippines.

6. The figures for Japan indicate actual strength.



(Note) 1. Aircraft is "combat aircraft" from Military Balance, it comprises bomber, fighter-bomber, strike, interceptor, reconnaissance, etc.; it does not include helicopters.

FIGURE 2.—Deployment and basing around Japan.

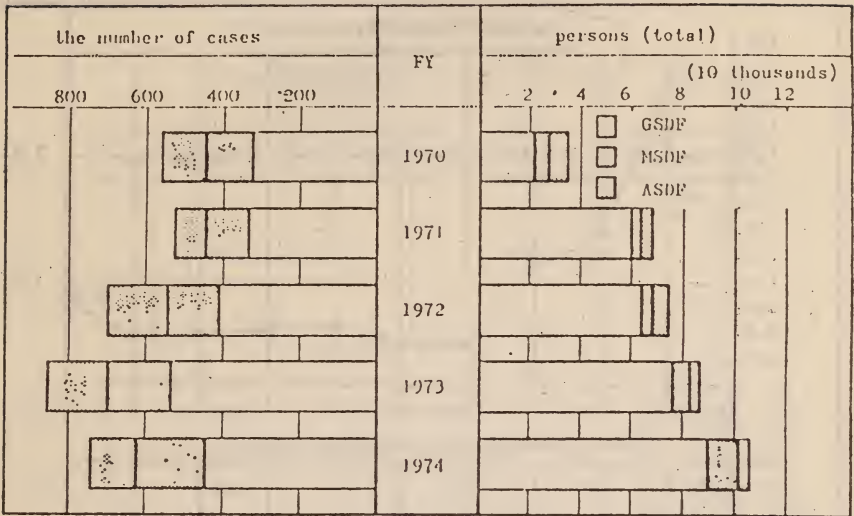


FIGURE 3.—Relief for disastered people.

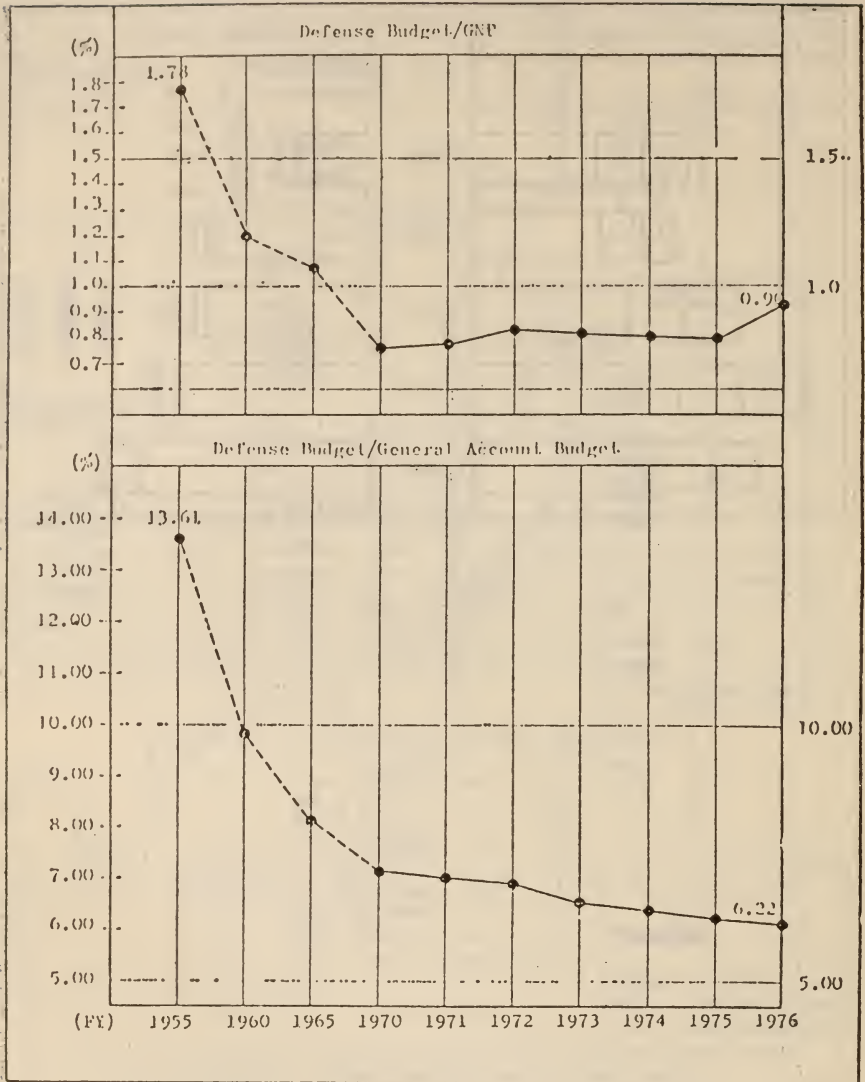
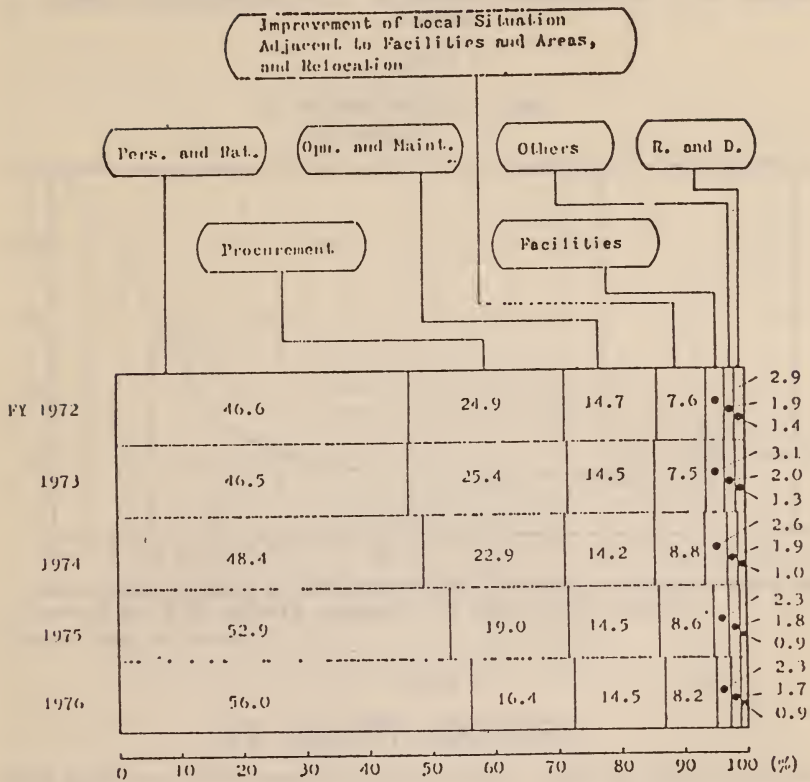


FIGURE 4.—Trend of defense budget.



(Note) 1. Procurement includes Weapons and Vehicles, Aircraft and Ships.
2. Operation and Maintenance includes Living cost, Clothing, Fuel, Maintenance and Repair.

FIGURE 5.—Change of composition of defense budget under the fourth 5-year defense plan.

The number of times of scramble (Fiscal year 1970-74) :

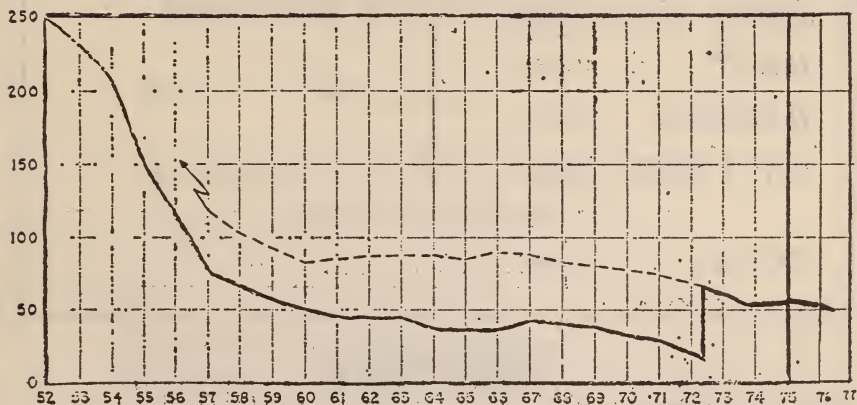
Fiscal year:	Number of times
1970	370
1971	345
1972	306
1973	257
1974	323
Total	1,601
Average	¹ 320

¹ About.

4. DATA CONCERNING U.S. MILITARY PERSONNEL AND BASES IN JAPAN

GRAPH I

U.S. MILITARY POPULATION IN JAPAN
(IN THOUSANDS)

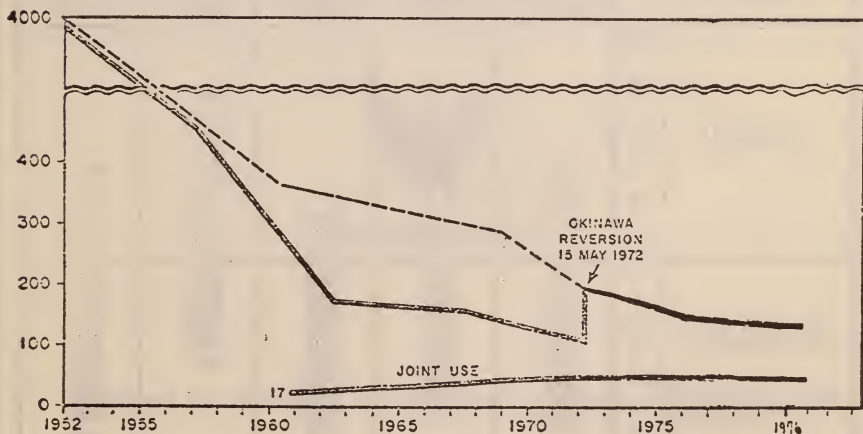


NOTE.—Rise on graph in 1972 reflects the U.S. bases on Okinawa which became a part of the U.S. military community in Japan upon reversion.

Source: Dept. of Defense.

GRAPH II

US FACILITY HOLDINGS



NOTE.—Rise on graph in 1972 reflects the U.S. bases on Okinawa which became a part of the U.S. military community in Japan upon reversion.

Source: Dept. of Defense.

PERSONNEL STRENGTHS

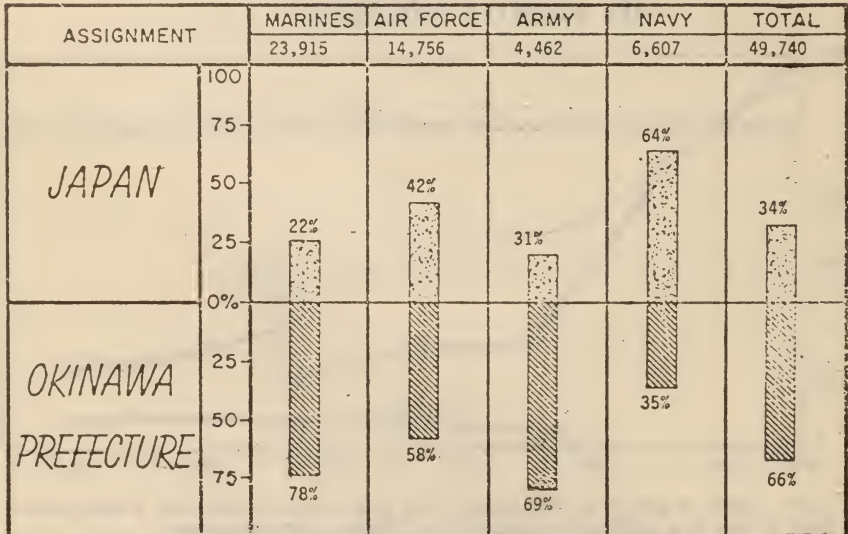
U.S. MILITARY		CIVIL SERVICE EMPLOYEES	U.S. DEPENDENTS (MIL & CIV)
ARMY	4,462	3,768	43,220
NAVY	6,607		
MARINES	23,915		
AIR FORCE	14,756		
TOTAL	49,750		3/76

GRAND TOTAL

96,728

Source : Dept. of Defense.

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POSTWAR SOUTHEAST ASIA

A SEARCH FOR NEUTRALITY AND INDEPENDENCE

A REPORT

BY

Senator MIKE MANSFIELD
Majority Leader, United States Senate

REPORT NUMBER TWO



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(II)

LETTER OF TRANSMITTAL

AUGUST 31, 1976.

HON. JOHN SPARKMAN,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: With the Committee's permission, during the August recess I made an official trip to Thailand, Burma and Laos to study various aspects of United States relations with those countries and regional developments which bear on American policy questions. I also stopped in Hong Kong to obtain a briefing from the staff of the American Consulate General concerning the current situation in the People's Republic of China and information about the international traffic in narcotics. Enroute to and returning from Southeast Asia, I also stopped briefly in Tokyo to receive up-to-date reports on recent political developments in Japan.

I am hereby transmitting my report on the trip, in the form of a speech I made in the Senate on August 26.

In Thailand I met with His Majesty King Phumiphon Adunyadet, Prime Minister Seni Pramot, Foreign Minister Phichai Rattakun and other officials of the foreign ministry. Ambassador Charles S. Whitehouse provided me with a thorough briefing.

From Bangkok, I flew in a small airplane, attached to the U.S. Embassy in Thailand, to Vientiane, Laos, the first U.S. aircraft allowed into Laos in more than a year. While in Laos, I had a discussion with Deputy Foreign Minister Khamphay Bouppha, received a briefing from Mr. Thomas Corcoran, Charge d'Affaires of the U.S. Embassy, and his staff, and had an opportunity to meet informally with a number of foreign diplomats and other observers of the Laotian scene.

I then travelled to Rangoon, Burma. President Ne Win was out of the country and, in his absence, I met with General San Yu, Secretary of the Council of State, and a number of other Burmese officials. Ambassador David L. Osborn and members of his staff were helpful in many ways during my stay in Burma.

I wish to express my appreciation to United States officials at each of the posts I visited for the assistance they provided, to the Department of State for making my travel arrangements, to the Library of Congress for assembling background materials, and to Mr. Francis Valeo, Secretary of the Senate, and Mr. Norvill Jones, of the staff of the Committee on Foreign Relations, both of whom have accompanied me on a number of past missions, for their assistance in connection with the trip.

Sincerely,

MIKE MANSFIELD.

POSTWAR SOUTHEAST ASIA—A SEARCH FOR NEUTRALITY AND INDEPENDENCE

SPEECH BY SENATOR MIKE MANSFIELD IN THE UNITED STATES
SENATE, AUGUST 26, 1976

Mr. MANSFIELD. Mr. President, 1 year ago, on behalf of the Committee on Foreign Relations, I visited three nations in Southeast Asia, Thailand, the Philippines, and Burma, to study regional and local developments after the ending of U.S. involvement in Indochina. Upon my return, I reported to the committee that:

Throughout Southeast Asia, nations are now making reassessments of their relationships. Nationalism and neutrality, mixed with a budding interest in regional cooperation, are the driving forces at work.

I ask unanimous consent that pertinent portions of this report be printed in the Record following my remarks.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit 1, p. 11.)

Mr. MANSFIELD. During the recent congressional recess, I returned to Southeast Asia to make an up-to-date reappraisal of the situation there, visiting Thailand, Burma, and Laos. A confidential report has already been submitted to the President as a result of that trip. This is my report to the Senate.

Winds of change still sweep the area, continuing to move the region toward cohesion and an easing of tensions. The U.S. role in this movement is limited and must remain so. It is not for this Nation, nor is it possible for this Nation to tell the nations of Southeast Asia what is in their interest. If we have learned anything from our sad experience in Indochina, it is that the future of Southeast Asia is for the nations of the area to decide and without outside interference.

The Philippines, Thailand, Malaysia, Singapore, and Indonesia, through the Association of Southeast Asian Nations, ASEAN, have taken small but positive steps toward regional cooperation. In February, the heads of state of the five ASEAN members met at their first summit conference to produce a treaty of amity and cooperation and other agreements looking toward closer collaboration on problems of common concern. There remained, however, an uneasy uncertainty about what course Vietnam, now a powerful, unified nation of 40 million people, would take in regional affairs.

Twenty-two years after the Geneva cease-fire agreement which temporarily divided the nation, the two parts of Vietnam have become one. After three decades of isolation and civil war, Vietnam has entered the regional political scene. The ASEAN States and Vietnam have launched a major program of détente, which has already produced

an atmosphere of regional friendship. During July, Vietnam's Deputy Foreign Minister Phan Hien made a goodwill visit to several of the ASEAN countries as well as to Burma and Laos. The five ASEAN countries have established diplomatic relations with Vietnam. All signs indicate that Vietnam has set out to prove to its neighbors and the world that it is determined to pursue an independent course, free from domination by either the Soviet Union or China.

These important steps toward regional amity should be welcomed by the United States. A regional organization composed of the ASEAN nations, the states of Indochina, and Burma, dedicated to peaceful intercourse, would be a significant force in maintaining stability and promoting economic progress in this volatile area. Thai officials assured me of their strong support for this concept. While endorsing a regionwide organization in principle, Burma has lingering historical suspicions.

I will describe briefly some current aspects of U.S. relations with Thailand, Burma, and Laos and then discuss the drug situation, a problem of particular concern to this Nation, as it involves Burma and Thailand.

THAILAND

In Thailand, Prime Minister Seni Pramot presides over a shaky parliamentary government. Although the ruling coalition is composed of only 4 parties, compared with 17 in the previous government led by his brother, Kukrit Pramot, there is serious dissension with the coalition. In addition, there is the ever-present threat of a military coup. While I was in the country, a crisis arose as a result of the surreptitious return to Bangkok from Taiwan of the former military strongman, Field Marshal Praphas Charasathien, who was exiled when the military government was ousted in 1973. It was widely assumed that his return was designed to stimulate overthrow of the civilian government by the military. The government's handling of the affair aroused strong passions on both the left and the right. Although Praphas was forced to leave the country, the incident has probably given encouragement both to opposition elements within the government and to antidemocratic elements in the Military Establishment.

It is said that the military, much of which is opposed to Thailand's commitment to regional détente with Vietnam, Laos, and Cambodia, is convinced that the country's experiment with democracy will fail. Although it is making a valiant attempt to survive, the future of Thailand's fledgling democratic system is less than assured. On the other hand, prospects for survival of parliamentary government are aided significantly by a reasonably bright economic picture and vivid public memories of the oppressive tactics of previous military governments. Insurgencies in the North and Northeast, and to a lesser extent in the South, continue but the problem appears little changed from last year. And the picture is not likely to improve as long as there is no firm dedication by the Bangkok Government to bringing about real economic progress in neglected regions.

The withdrawal in July of the last regular U.S. military forces, leaving only a 250-man advisory unit, was a significant factor in creating favorable conditions for the establishment 2 weeks later of diplomatic relations between Thailand and Vietnam. Americans should

not interpret the Thai demand for the withdrawal of U.S. forces as an unfriendly gesture. It should be seen for what it was, an inevitable adjustment to the new realities which both countries face in Southeast Asia.

Under the withdrawal agreement the United States will have certain aircraft transit rights at the Takli air base. The abuse of this privilege should be scrupulously avoided, lest it exacerbate the tenuous political situation in Thailand. Both military and economic assistance to Thailand continue, although nonconcessional economic aid, other than that for population control and antidrug programs, will terminate next year. Military grant aid will end in 1977 also as a result of the general phaseout voted by the Congress. Consistent with Thailand's desire to stand on its own two feet, U.S. bilateral aid programs for population and antidrug activities should be terminated also if the responsibility for programs in these fields can be shifted to the United Nations.

The current Thai Government favors continuation of the SEATO treaty relationship with the United States. Drawn up following the 1954 Geneva Conference on Indochina as a device to stop the spread of communism in Southeast Asia, the SEATO treaty is no longer a viable multilateral security agreement. It has practical application only to Thailand. Although I strongly approve of Thailand's desire to maintain close ties to the United States, I do not believe that trying to breathe life into the SEATO treaty, a relic of the errors of past policy, is in the best interests of either country. Sound bilateral trade and economic relations are far more important to Thai-United States friendship than a lifeless scrap of paper. Undue emphasis on military matters would be an anachronism, inconsistent with the current interests of both countries. It is, however, important that America continue to demonstrate its desire for close, friendly relations with Thailand in ways that will promote regional cooperation and heal the wounds left by the recent war.

BURMA

The situation in Burma has changed little since last year. Burma continues rigorously to pursue a nonaligned course, keeping its distance from all of the major powers. Seven years ago in a report to the Senate, I wrote:

The Burmese government continues to go its own way as it has for many years. It is neither overawed by the proximity of powerful neighbors nor overimpressed by the virtues of rapid development through large infusions of foreign aid. Burma's primary concern is the retention of its national and cultural identity and the development of an economic system preponderantly by its own efforts and along its own lines.

That analysis continues to be valid.

In July, a coup plot against President Ne Win's government, instigated by a number of low-ranking, but well-connected, army officers, was discovered. Although the attempt may signify eroding confidence in Ne Win's leadership within the army, it did not deter the President from leaving for Europe in mid-August for medical treatment. On

the positive side, there are reliable reports that the event stimulated the government to take more aggressive action to cure the ills of Burma's stagnant and inefficient economy. A World Bank Consultative Group is being formed to aid in stimulating economic growth but, thus far, the United States has refused to join, seeking assurances of economic changes in advance of participation.

Insurgencies continue in Burma's remote mountainous regions but, according to observers, the government has made some progress within the last year in controlling the problem. Although the country's economy is notoriously mismanaged, it is a country rich in assets, both in natural resources and people. "No one dies of starvation in Burma," one top official put it. That says a great deal about the situation.

The United States owns some \$12 million in Burmese currencies which are wasting away through inflation. My visit to Burma a year ago came several weeks after a devastating earthquake had seriously damaged or destroyed many Buddhist temples in historic Pagan. It required 5 months of prodding within the Government in Washington to get an Embassy request approved for a token gift of \$10,000 of these currencies to aid in the restoration work at Pagan, approval that came long after all major nations had made even more substantial contributions. An Embassy request is now pending in the State Department for use of a modest amount of this U.S.-owned local currency to make needed improvements in Embassy staff apartments. I hope that not only will the Embassy's request be approved but also that a study be made of other appropriate ways to make effective use of the U.S.-owned holdings.

LAOS

With the approval of the Government of Laos, I flew from Bangkok to Vientiane in a small aircraft attached to the U.S. Embassy in Thailand, the first U.S. aircraft of any type allowed into Laos in more than a year. I view the Laotian Governments' approval of my flight as a gesture of good will toward the United States.

The new government has taken steps to improve relations with Thailand, although deep suspicions remain from the period when Thailand was used as a base for military operations against Laos. Agreement in principle was reached early this month to open several border crossings on the Mekong to facilitate trade between the two countries.

In the course of a long conversation with me, the Acting Foreign Minister, Khamphay Boupha, repeatedly made allegations that the United States was supporting anti-Lao elements in Thailand. I assured him that, according to the best information available to me, the United States was not engaged in any operations in Thailand directed against Laos.

The Lao Government seeks assistance from all sources, to repair the damage inflicted on its people and resources during many years of civil and international war. Acting Foreign Minister Khamphay told me that 500,000 Laotians were forced to leave their homes because of the war—a United Nations representative in Vientiane said that the number was as high as 700,000—and that 100,000 were killed

and tens of thousands wounded, a terrible toll for a country of only 3 million people. Significant United Nations programs are underway to aid refugees and restore agricultural productivity.

Minister Khamphay assured me that his government "wants to maintain good relations with the United States on the basis of mutual respect for each other's independence, sovereignty, and territorial integrity." The Laotian Government, he said, had two objectives for its relations with the United States: First, to bring a halt to any support by the United States for what he termed the "reactionary traitors" working against Laos; and second, to obtain assistance for healing the wounds of the war.

As I noted above, on the basis of official information, I was able to assure the Laotian Deputy Foreign Minister that we were no longer involved in the internal affairs of Laos. It would be my hope that such would continue to the case. There would be no point at this time in the United States giving any support, directly or indirectly, to anti-Laotian elements inside or outside of that country, under any circumstances. As to foreign aid, I believe that, at an appropriate time, consideration should be given to providing relief aid through the United Nations or other international auspices, not as war reparations, but as a decent gesture to a poor country in a great need through little fault of its own.

One problem of concern to many Americans very much on my mind in traveling to Laos, was to seek cooperation in determining the fate of some 300 U.S. servicemen missing in action from aircraft which went down in Laos. When I raised this matter, Minister Khamphay said to me:

The Lao have a long tradition of adhering to humanitarian principles. . . . The government has ordered the people throughout the country to look for crash sites and if the people find any they are to report to us and the information will be passed to the United States.

In a speech on Pacific policy on December 7, 1975, President Ford said that U.S. policy toward the new regimes in Indochina will be "determined by their conduct toward us. We are prepared to reciprocate gestures of goodwill—particularly the return of remains of Americans killed or missing in action or information about them." I hope that this cooperative gesture by the Laotian Government will produce helpful information. It might well be matched by a gesture on our part.

In this connection, it seems to me that the United States should send an ambassador to Laos, a country with which we still maintain formal diplomatic relations. The nomination of Galen Stone to be Ambassador to Laos was confirmed by the Senate nearly 15 months ago but he has yet to be sent to take up his post. Either he or a replacement should be sent to Vientiane. The present course smacks of a petty petulance.

NARCOTICS

The United States is making a major effort in Thailand and Burma, at a cost of several millions of dollars each year, to lessen the flow of narcotics to the United States from the Golden Triangle. The United Nations also operates antinarcotics programs in both countries.

After an investment of \$8.5 million in equipment and advisers, plus the cost of an additional \$2.6 million annually for regional U.S. Drug Enforcement Administration operations, there is little to show in Thailand for the American investment.

Although the growing of opium in Thailand has been illegal since 1959, the law is not enforced. According to experienced observers, a more fundamental problem is that a revolving door system under which arrested drug traffickers are quickly released is still the rule. Hong Kong authorities, who must cope with the flow of drugs from the Bangkok connection, are making significant progress in local antidrug programs but are critical of the Thai Government's laxity in dealing with drug traffickers. The authorities of other nations are also highly critical of the failure of the Thai Government to police its side of the border and of the corruption reputed to exist in the Thai police system.

To be sure, the Thai Government has to deal with many problems. Stopping the Bangkok drug traffic, however, is a major headache. Until there is a much greater commitment to deal with the problem, putting more millions of American money into buying helicopters, radios, jeeps, and other fancy equipment for the Thai antinarcotics police will not have the desired effect.

According to U.S. officials, Burma is making effective use of 12 helicopters the United States has provided within the last year for antinarcotics operations. Six more are yet to be delivered. The Burmese Army has begun a program of physically destroying opium poppy fields, which, according to estimates, has reduced this year's potential crop from 470 tons to 343 tons, compared with an estimated 440 tons, produced in Burma last year. It is said, optimistically perhaps, that Burma's opium production can be virtually eliminated within 3 or 4 years, if an effective herbicide eradication program is initiated and crop substitution schemes now being planned have appeal to the traditional opium growers. Efforts have been made to establish a U.S. Drug Enforcement Agency presence in Burma, a move resisted in Burma. In my judgment, the arguments against bringing DEA personnel into Burma are fully tenable and there is no reasonable justification for such an expansion of the bureaucracy.

Laos is not a factor in the external opium trade, according to most experts. The current Lao Government is taking drastic measures to cure drug addicts, sending them to an island in the middle of the Mekong for intensive treatment. As to China, all U.S. officials within the area agree that it is not a source of narcotics for the outside world, producing only as much opium as is required for internal medical needs.

In my report last year, I expressed concern over involvement by U.S. narcotics operatives in police actions abroad. As a result, Congress adopted a proposal which prohibits any U.S. personnel abroad from participating in any foreign police arrest actions in connection with narcotics operations. The Drug Enforcement Administration has issued guidelines for implementation of this provision and I have been assured by Mr. Peter Bensinger, the DEA Administrator, that both the letter and the spirit of the law will be strictly enforced.

In view of the fact that the drug problem is international in scope, I also recommended last year that the United States channel assistance

to other countries for antinarcotics efforts through the United Nations. Congress has directed the President to make a study of how to achieve this objective. In both Thailand and Burma, for example, the United Nations already conducts crop substitution and other anti-drug programs. Burma, intent on maintaining its distance from all major powers, has indicated keen interest in obtaining through the United Nations assistance of the kind we now provide on a bilateral basis. I believe that leaders of the Thai Government would also be more comfortable if the United Nations took the lead from the United States in this field.

The Committee on Foreign Relations should make a thorough study of the foreign operations of the antinarcotics program. It is an expensive program, costing \$37.5 million for direct aid alone in the last fiscal year. It is also an administrative nightmare involving the operations abroad of at least five Departments and agencies—the DEA, AID, CIA, the Department of Agriculture, and the Department of State, which, through our ambassadors, is supposed to be in charge of the entire operation. Pending submission of the Presidential report on shifting emphasis to the United Nations or regional programs, the committee should make a careful study of the management and cost effectiveness of all current drug operations abroad.

NONALIGNED CONFERENCE

While I was in Southeast Asia, an event of significance took place in Sri Lanka, the Fifth Conference of the Non-Aligned Nations. The delegates at Colombo represented two-thirds of the nations of the world and one-third of its inhabitants, a three-fold increase from the 28 nations represented at the founding meeting at Bandung two decades ago. Much of the rhetoric that came out of the conference hall in Colombo was not very palatable to us. Nevertheless, it is in our national interest to pay close attention to the Third World, to what the leaders of these countries think and seek. The United States is rapidly becoming a have-not Nation in regard to basic resources on which we and other industrial nations are dependent. The Third World straddles a good share of the world's supply of these resources and can no longer be ignored.

I returned from my visit to Southeast Asia with a firm conviction that, in general, developments in the region are moving in the right direction, both for the nations concerned and for the United States. The Southeast Asian countries appear determined to pursue an independent path, free of outside domination by any power. There are encouraging signs that, on a parallel tract, most also seek to further regional understanding, or, at a minimum, to join hands in preventing undue interference from outsiders.

Vietnam, contrary to many predictions, is demonstrating a desire to live in peace with its neighbors. It has now applied for membership in the United Nations. I hope that the United States will not again veto its application. Our relations with the nations of Indochina should be shaped to fit reality. The reality is that new governments are in firm control in Vietnam, Cambodia, and Laos.

Seven years ago the Senate approved a resolution, offered by Senator Cranston, which stated that—

When the United States recognizes a foreign government and exchanges representatives with it, this does not of itself imply that the United States approves of the form, ideology, or policy of that government.

In other words, the Senate has said that diplomatic recognition is simply a recognition of *de facto* and *de jure* control. That should be the basis for U.S. policy toward the new governments of Indochina.

Americans are a generous people, willing to bury the mistakes of the past and look to the future. A generation ago our Nation was locked in a life and death struggle with Germany and Japan. Today they are allied with us. National interests are not immutable. Interests, and the policies to further them, must reflect a changing world. We should look to the past for wisdom, to learn how to shape the future, not for the purpose of perpetuating animosity or bitterness.

I urge the next President to make a thorough review of U.S. policy in Asia with a view to wiping the slate clean. It is not easy for bureaucracies or individuals to shake off the habits or associations of decades. Much of the Government foreign affairs bureaucracy, from State Department policymakers to CIA operatives, appear to me to be still too closely attuned to policies of the past.

There are deep suspicions in the region that remnants of operations related to the old policies continue, particularly as to CIA operations. It may be that intelligence gathering, for example, has not yet been keyed to the new situation in Indochina and to the goal of normalizing relations with China. In any event, I hope that the Select Committee on Intelligence will make a thorough review of current intelligence operations in Asia to insure that they are consistent in all respects with long-range national objectives.

In closing, I add a short postscript to my recent report to the Committee on Foreign Relations concerning Japan and Korea.

Both en route to and on return from Southeast Asia, I stopped in Tokyo to receive a briefing on recent developments from officers of the U.S. Embassy. The Lockheed scandal continues to dominate Japanese political affairs as the Watergate affair did here for so long. Prime Minister Miki's determination to bring out all the facts, regardless of where the chips might fall, has created great controversy within his own party but has met with widespread public and news media approval. It is to be hoped that the matter will be handled in such a way that neither the confidence of the Japanese people in their governmental processes nor that nation's political stability will be damaged.

As to the incident in Korea, the brutal killing of two American officers in the joint security area of the Korean demilitarized zone, and subsequent actions have aroused passions on both sides, underlining what I said in my report scarcely a month ago: "Korea is a time bomb which has yet to be defused."

This is not the first inflammatory incident to occur in the nearly quarter of a century since the cease-fire agreement that ended the Korean war. And it will not be the last. When fighting men are placed in close proximity to the enemy on a daily basis incidents are bound to happen. It takes only a match to start a conflagration.

The President is to be commended for having insisted that U.S. officials keep cool in the recent tragedy because under existing circumstances U.S. forces will be involved inevitably in any outbreak of fighting in Korea. The swift dispatch to Korea of additional U.S. attack aircraft and a carrier task force demonstrate that under current contingency plans, U.S. military forces will be involved from the outset in any resumption of hostilities, despite the constitutional responsibility of Congress to declare war.

The United States is in a vise in Korea from which it must eventually extricate itself by a phased withdrawal of forces while simultaneously seeking a permanent solution to the conflict. It is to be hoped that the recent incident will not delay U.S. initiatives in that direction.

Exhibit 1

EXCERPTS FROM WINDS OF CHANGE—EVOLVING RELATIONS AND INTERESTS IN SOUTHEAST ASIA—AUGUST, 1975

I. THREE VARIATIONS ON NEUTRALISM

President Nixon's visit to Peking in 1972 released strong winds of change in the international relationships of Asia. The collapse in South Vietnam and Cambodia intensified these currents. Visible changes already include the restoration of contact between the United States and China looking in the direction of normalcy after many years of acrimonious confrontation. This shift has been a key factor in enabling us to reduce the U.S. military presence in Asia from some 650,000 at the height of the Indochina war to less than 60,000 at present. Moreover, a further reduction will take place in the months ahead as U.S. forces are withdrawn from Thailand.

U.S. policy, in short, is beginning to reflect the fact that the United States is a Pacific nation, but not a power on the Asian mainland. The waters of the Pacific touch the shores of the United States on the West Coast, at Hawaii, Alaska, the territory of Guam and the U.S. trust territories. They also beat against the coastlines of seven nations to which we have made security commitments—Japan, South Korea, Taiwan, the Philippines, Thailand, Australia and New Zealand—as well as the shores of the Soviet Union and China. What takes place in this vast region is of deep concern to this nation. However, concern and capacity to influence are quite different. What we began to perceive in Korea and saw very clearly in Indochina is that our capacity to influence the flow of history on the Asian Mainland itself is quite limited on the basis of any rational input of manpower and resources.

After the birth of the People's Republic of China in 1949, we established a policy of containment of Communist China. It was a policy which sought to line up nations on an either "for or against" basis with "neutralism" regarded as something to be spurned. A ring of treaties was engineered in an effort to use U.S. power and influence to choke off what were held to be China's aggressive designs on its neighbors. In Southeast Asia, both Thailand and the Philippines linked their foreign policy directly to what became a U.S. crusade against communism on the Asia Mainland, Burma and Cambodia, each in its own way, tried to walk the tight rope of non-involvement. The former did so throughout the Indochina war, in part, by rejecting U.S. and other forms of foreign aid. Under Prince Norodom Sihanouk, Cambodia also held the line of non-involvement successfully for many years. When the Prince was overthrown by a military coup, however, the Khmers paid the cost in five years of bloody war.

The overthrow of Sihanouk also added more U.S. casualties and billions to U.S. costs in Indochina as this nation went from non-involvement to the aid of the successor military regime in Phnom Penh.

Throughout Southeast Asia, nations are now making major reassessments of their relationships. Nationalism and neutrality, mixed with a budding interest in regional cooperation, are the driving forces at work. Neutralism takes on different characteristics in each of the Southeast Asian nations. Burma is a study of traditional neutrality with a heavy accent on isolationism. Thailand, the only nation in the region to remain free of colonial rule before World War II, is engaged in writing another chapter in its long history of seeking to balance its independence amidst shifting political currents. Three decades after close alignment with and vestigial dependency on the United States, the Republic of the Philippines is moving into the more open waters of international relations and accelerating its efforts to achieve a fully independent identity.

As new relationships evolve in Southeast Asia, new problems are emerging among the nations in the area and in their relations with the United States. Changes in an old order always carry a degree of painful adjustment. It is to be hoped, however, that out of the old, eventually will emerge a new spirit of self-reliance and regional cooperation. In that fashion, the independent nations of the region may be able to live together in a zone of peace respected by all of the great powers. That is the goal towards which each nation visited, in its own way and to some degree, all of them together, seemed to be moving.

The Asian nations are very likely to call for adjustments of all of the relationships with the West which grew out of a previous state of dependency. We should do our best in our own interests to accommodate to changes of this kind. They involve, in many cases, as in Indochina, the lightening of an excessive and one-sided burden which has been maintained for decades by the people of the United States. From our own point of view, it would be desirable to subject the Southeast Asia Collective Defense Treaty, the so-called Manila Pact, to critical reexamination. The treaty seems to me of little relevance to the security of this Nation in the contemporary situation. In fact, it may be more a liability than an asset to all of the signatories. As for our relations with Indochina, it would seem to me helpful in dealing with the vestigial problems of the war and in paving the way for a peaceful future to establish direct contact with the successor governments in Vietnam and Cambodia at an appropriate time.

It would be unfortunate if out of indignation or disillusionment we should turn our backs on Asia. More in line with our interests would be to seek to understand more clearly what is transpiring on that continent. Our young people, in particular, need as much exposure as possible to the changes in Asia since they will experience in the years ahead most of the consequences. Through diplomacy and cultural contacts we should be able to harmonize our reasonable national interests in security, trade and cultural cross fertilization with the emerging situation in Southeast Asia. The present transition need not be a source of anxiety if it is approached in that fashion. Indeed, we could be on the verge of a new era which could bring great benefits both to the Asian countries and to this Nation.

II. BURMA

Neutrality and nonalignment

Under President Ne Win, Burma has navigated a course of neutralism and nonalignment for many years. Its relations with the great neighboring states of China and India are correct and formal and the same is true for the Soviet Union and the United States. Burma has no intimates and seeks none. It has sought to avoid foreign entanglements. Although it was an early member of the United Nations, only in 1973 did the nation even join the World Bank and the Asian Development Bank. In the United Nations and other international forums, Burma has abstained on many divisive issues. For years it has recognized both Koreas and both Vietnams.

Burma was an observer of what happened to the Indochinese nations when they were drawn into great power rivalries. Their tragic experience was such as to provide proof to the Burmese Government of the correctness of its own policy. Whatever its shortcomings, this policy has served to keep Burma out of the conflicts which have beset others in Southeast Asia. Furthermore, isolated by natural mountain barriers on the east, west, and north the Burmans have been able to preserve to a greater degree than most nations in the region, their traditional culture.

Speculation in Burma is to the effect that its doors may soon open wider, evidencing, some say, a change in attitude towards the outside world. One Burmese official observed to me, however, that what has happened is "not that Burma has changed but that the world has changed." He went on to explain that a U.S. policy of détente with the Soviet Union and the new U.S. relationship with China significantly altered the framework of Burma's neutralism and made foreign contacts, notably with the United States, more feasible.

Foreign observers, when discussing Burma's economy, generally describe it as "stagnant" or "sick." While it is obvious to a visitor that there is a great deal of poverty, the usual economic yardsticks are not exact or even very relevant when applied to a rice-based agrarian society. The extremes of poor and rich, for example, are not seen in Burma as in many other countries. Burma's economy is not rocketing ahead but neither as in Indochina has the land been devastated and hundreds of thousands killed and maimed by warfare. Also avoided so far have been the cultural upheavals and environmental despoliation which are often associated with economic development via heavy influxes of outside capital and foreign aid.

Nevertheless, there are manifestations of political dissatisfaction from time to time which center in Rangoon and are probably directed in part, at least, at the lack of economic progress and opportunity. Three major anti-government demonstrations by workers and students have occurred during the last year and a half. Colleges and universities have been closed from time to time and leaders of workers demonstrations have been sentenced to long prison terms.

Although a new Burmese Constitution was adopted last year, the government remains based on army leadership. Sixteen of 18 cabinet officers are military or ex-military men. While farming is still on a private basis, as are many shops and stores, the government runs much of the rest of the economy. Staples, such as rice, oil, and cloth

are rationed, with scanty allotments. This system, plus a shortage of consumer goods generally undergirds a so-called "shadow economy" or black market. Although stable until the last year or so, prices are now rising. Rice stocks available for export, the country's principal source of foreign exchange, are dwindling due to lack of substantial increases in output coupled with population growth. In the last thirty years, the population has almost doubled to 30 million. The government is considering new incentives to raise rice production and recently increased the price paid to the farmer by 30 percent. As yet, however, policies have not been devised to surmount the dilemma of a dwindling per capita food supply as against what is seen as a possible loss of security and national identity which might be occasioned by limiting population growth in the midst of towering neighbors.

One way to help alleviate this dilemma, at least for the immediate future, would be by the discovery of petroleum in exportable quantities. After years of rejecting private investment, last year, Burma leased offshore tracts to two American oil companies, Exxon and Cities Service, and two companies from other countries. While the drilling has not yet yielded results, the Burmese believe the prospects are good. Burma is also seeking by its own efforts to extend present onshore oil fields which supply 70 percent of the nation's modest current needs. The government has not shown any interest in foreign involvement in the exploration for minerals, with which according to technical reports, Burma is generously endowed.

A part of Burma's imports are presently being financed by loans from the World Bank and the Asian Development Bank and by bilateral agreements with West Germany and Japan. Three small Asian Development Bank projects are now underway. While the U.S. has not provided new dollar assistance to Burma since 1963, a consortium arrangement under the World Bank and the International Monetary Fund which involve foreign aid contributions by the United States, Japan, and Western European countries is under consideration.

The Burmese are in the process of repairing the severe damage caused by an earthquake in early July at Pagan, an area of historical significance and the site of numerous edifices and shrines dating from the 11th Century. They are hampered by lack of funds which are being raised through public subscription. Various nations have made contributions through their embassies in Rangoon for this very worthwhile endeavor. Shortly before I arrived, U.S. Embassy officials had asked Washington for permission to make a small monetary contribution to assist in the repair of the damage at Pagan. The request was denied, apparently on some semantic or obscure basis and the matter was buffeted from pillar to post in the bureaucracy. It is amazing to find that in an Executive Branch which frequently finds ways unknown even to the Congress to rush tens of millions in aid to shore up a sinking regime as in the closing days of the Cambodian debacle, is unable to find a basis for a modest human gesture in the face of a natural disaster such as occurred in Burma last summer. One can only note that if more authority is necessary to act in a situation such as this, why has it not long since been requested?

The drug trade and insurgents along the Burmese border create a dangerous mixture. Twenty groups, most of them based on ethnic

divisions and some quite small and of little contemporary significance, are now in various degrees of insurrection or insubordination with regard to the government in Rangoon. It is possible to divide the factions into three basic groupings. The first type seeks to replace the existing government and is exemplified by the Burma Communist Party, the largest single dissident element. Typified by the Kachin Independence Army (KIA), a second group seeks autonomy in ethnic areas. The third consists simply of out-and-out drug traffickers and bandits, some of whom are remnants or descendants of the forces associated with the National Government which fled from China in 1949 and which, for a time, were supported from Taiwan.

Opium is a traditional crop in the hill areas of Northeast Burma. It is estimated that the crop may reach 440 metric tons this year even though the price is currently depressed because of the loss of the South Vietnamese market. All the insurgent groups are believed to be financed, at least in part, through the drug traffic. The Chinese (Nationalist) Irregular Force which is still organized into the 3rd and 5th divisions is the most important group involved in the drug traffic. Another element is the Shan United Army, which operates in the Northern Shan states.

Each organization has its own "turf" in the remote and scarcely accessible border areas as well as its own methods of operations. In simplified form, the cycle of operations, runs as follows: the trafficker buys the crude opium from the grower, transports it to the Thai border, sells it, uses the proceeds to buy arms or other goods, brings the arms and goods back into Burma, sells them on the black market. The cycle is completed when the proceeds from the black market sales are used to buy more opium.

The Burmese Government is concerned with the drug traffic both because of the growing consumption of drugs in the country and because suppression of the trade is seen as an essential element in dealing effectively with the insurgency problem. After an initial reluctance, Burma has agreed to accept eighteen helicopters which are available under the U.S. narcotics control program. Four helicopters have been delivered, on a trial basis, and, if results are mutually satisfactory, the remainder will be turned over, in due course, to the Burmese government.

In addition to this arrangement, there have been some small Burmese purchases of U.S. military related goods. The Burmese government, however, has indicated no interest in renewal of military aid program or in obtaining military training for its forces in the United States.

A note of caution is indicated in regard to cooperation in drug suppression. The zeal of U.S. enforcement officials in trying to get at the sources of drugs is understandable and merits much applause. Nevertheless, there are other questions involved in Burmese-U.S. relations. For too long in the administration of U.S. policies, we have tended to assume responsibility for problems which are more properly those of other nations or of the international community. One form of involvement in the internal affairs of other nations can lead very rapidly to other forms, as the bitter Indochina experience should have taught us.

In my judgment, therefore, any further U.S. assistance to foreign countries for their internal use in anti-drug problems, if warranted at all, would seem more appropriately to be funneled through international bodies. Whatever funds Congress thinks justified for this activity might well go as a contribution to the U.N.'s Narcotics Control program. Moreover, any activity of U.S. narcotics agents in Burma or any other nation in Southeast Asia, for that matter, must remain under the strict supervision and firm control of the U.S. Ambassador who is in the best position to know what practices are or are not possible in the light of our total relationship with the country concerned.

After my visit to Burma six years ago, I wrote: "The Burmese government continues to go its own way as it has for many years. It is neither overawed by the proximity of powerful neighbors nor over-impressed by the virtues of rapid development through large infusions of foreign aid. Burma's primary concern is the retention of its national and cultural identity and the development of an economic system preponderantly by its own efforts and along its own lines."

These are still the major pre-occupations of the Ne Win government. The nation has succeeded in maintaining its national and cultural identity. Its economic situation, however, is still very tenuous.

As for our relations with Burma, while some strengthening of cultural and technical exchange either on a bilateral or multilateral basis may be desirable and possible, my view is that we would be well-advised to avoid scrupulously any inclinations towards a deepening involvement in Burmese affairs. Such inclinations would not be welcomed in Burma as in its best interests. Clearly, too, they would not be in the best interest of this nation.

III. THAILAND

After four decades of military rule, Thailand is attempting anew to forge a democratic system. At the same time, there is underway a major revision in foreign relationships. Following student uprisings, in October 1973, the military government of Field Marshal Thanom Kittikachorn was ousted and Thanom and other government leaders fled the country. This development, coupled with the rapidly changing situation in Asia, initiated by President Nixon's trip to Peking, and culminating in the collapse in Indochina, has brought about a sweeping reappraisal by Thailand of its foreign policy.

Until the fall of the Thanom government, Thailand had maintained a close relationship—some termed it a "client-state" relationship—with the United States. Now that has changed, with Thailand moving away from the long intimacy with the United States and, at the same time, seeking better relations with its neighbors in Indochina and Asia. How this land of 44 million people handles the turn towards political democracy and a new foreign policy will have far-reaching consequences for the over-all relationships in and around the Asian continent.

Political and economic situation

Prime Minister Khukrit Pramot, leader of the Social Action Party, has governed Thailand since mid-March with a coalition of eight parties. His own party, with only 18 seats, is a distant third in terms

of party strength in the Parliament. While the Thai King, Phumiphon Adunyadet, serves primarily as the symbol of national unity, the monarchy is still a factor in state affairs, particularly, in times of crisis. The present Thai political system is based on a Parliament consisting of 269 seats in an elected Lower House and a 100-member appointed Upper House. Elections earlier this year attracted 42 parties and 2,191 candidates. Predictably, the results were inconclusive. There are now representatives from 23 parties sitting in the Parliament which, when I visited it, was meeting in a joint session and engaged in spirited debate over an aspect of ASEAN. Despite earlier predictions of a short and unhappy life, the Parliamentary structure is managing to hold together and is serving as a vehicle for operative government.

The Khukrit cabinet, apart from the difficulties inherent in any coalition and, especially in one emerging from the trauma of an abrupt shift from military authoritarianism, is subject to three basic pressures; a volatile student movement; long-standing insurgencies in the north the northeast and the south; and the ever present possibility of a military coup.

The student movement wields influence, as is often the case in Asian nations, far beyond numbers. There is a working relationship between the students and labor on most issues and this coalition constitutes the most potent force in current Thai politics. It may be less of a factor, however, than it was two years ago at the time of the ousting of the dictatorship. Public reaction in Bangkok to past excesses, it is said, has caused student leaders to be more discriminating in choosing issues on which to exert their pressure.

One personal incident was instructive. When I arrived for an appointment with the Prime Minister, hundreds of out of work Thai guards at U.S. military bases, who are being discharged as the bases are phased out, were engaged in a demonstration demanding final pay adjustments. The guards were not on U.S. payrolls but, rather, were paid indirectly on the basis of U.S. contracts with Thai military leaders of the previous regime, some of whom apparently have fled the country. Since the demonstration was taking place in front of the Prime Minister's offices, it was necessary to postpone the meeting lest the presence of a visiting American official trigger more serious difficulties.

Ever present in the background of Thai politics is the potential for a military coup. While the government appears to command the loyalty of the armed forces, rumors of possible coups abound in Bangkok. Perhaps, the principal deterrent is the public revulsion with the rampant corruption of the previous military regime and the possibility that a coup at this time would again bring on a militant student-labor reaction.

The role of the military has been deemphasized by the present government which appears to want to direct its energies towards social and economic needs. Heretofore much of the government's interest centered on Bangkok. With 4 million people, Bangkok is Thailand's only major city and it is scarcely representative of the nation. The gap between Bangkok and the rest of the country is great. Per capita income in the capital, for example, is \$600 per year, but it is only about \$200 nationally, and it is, perhaps, not more than \$75 per year in the most troublesome insurgent area, the northeast. There has been little spread of commerce and industry from Bangkok to the countryside. The city, in some respects, is like a foreign land to

most Thais. Its traffic jams, westernized practices and political maneuvering are quite alien to the villagers who make up the vast majority of the country's population.

Neglect of the villages is a major factor in fueling the insurgency movements. In the north the insurgents are ethnic groups often involved in the drug traffic. In the northeast, the problem is peasant discontent and Thai against Thai. In the south, it is largely Malay muslim or Chinese against Thais.

Over the years, there have been any number of anti-insurgency campaigns launched by Bangkok, all liberally financed with U.S. funds and, often, abetted with advice from various U.S. agencies. None has brought any appreciable results. The insurgent movements have continued to grow, with a total of perhaps 8,500 now under arms in the northeast alone. The Khukrit government seems to be aware that the problem cannot be solved unless there is more effective contact between a heretofore remote government in Bangkok and the people in the localities. It is trying new approaches which include a form of revenue sharing to channel funds to the poorest areas. Also recognized is the need to change the attitudes of the underpaid and corrupt bureaucracy in the insurgent areas. While it may be difficult to persuade soldiers and police who have reaped much of the financial benefit of past anti-insurgent campaigns to become benefactors of villagers, at least an effort is being made to bring about a reorientation. The government's five year plan also emphasizes economic growth in the rural areas and reduction in income disparities. It remains to be seen whether the benefits will actually reach the people.

The Thai economy has weathered the oil crisis, the world recession, and the phase-out of U.S. military involvement in Indochina. Although the rate of inflation was 20 percent in 1974, up from an average of 4 percent in the years before, it has been falling and will probably be down to about 10 percent for 1975. Increased earnings from agricultural exports have been a prime factor in countering oil price increases. The impact of both the recession and the uncertainty over political developments in the region have been felt in the slackening of foreign investment. Tourism, too, is down. Nevertheless, Thailand enjoyed a \$400 million surplus in its over-all balance of payments in 1974 in the face of a deficit of \$657 million in trade. The difference was made up by foreign aid, oil concession payments, tourism and capital inflows.

The United States has given Thailand large amounts of economic aid over the years, much of it in the last decade for the so-called counter-insurgency programs. Thus far, a total of \$672 million in economic aid has been provided by the United States. For fiscal year 1976, \$12 million has been requested.

In an economy as formidable as Thailand's, \$12 million must be regarded as relatively inconsequential. The government's political and economic policies are the critical factors in shaping the nation's future. There would appear, therefore, to be little relevance to either country in the continuance of the bilateral aid program. Indeed, the time seems very propitious to end this vestige of "clientism" and to place the relationship of the two nations on a firm plane of mutual respect, with accent on mutually beneficial exchange.

Petroleum

There are prospects for major offshore petroleum strikes in the Gulf of Siam on Thailand's east coast and in the Andaman Sea west of the Kra Isthmus. Twenty-five wells have been drilled by American companies in the Gulf of Siam. Oil has been found, but the potential is not yet ascertainable. There could be international difficulties in some areas since most Thai concessions, overlap in part, territory also claimed by Cambodia. Thus far, however, there has not been any drilling in disputed areas. Some concessions have also been issued for the Andaman Sea but work there is not likely to start until next year. Thailand has already received more than \$75 million for drilling rights from foreign prospectors. Renewed consideration is also being given by the Thai government to a proposal to join with Japan in constructing a major pipeline stretching across the Kra Isthmus, and terminating in a large refinery which would refine Persian Gulf crude for shipment to Japan.

Drugs

Thailand is a major site in the international drug problem, not so much as a producer but as the route of transshipment of opium brought in from elsewhere in Southeast Asia. Estimates indicate that about 40-45 tons of opium per year are actually produced in Thailand. This level is sufficient only to meet local demand.

Although some Thai officials may still be parties to the drug trade, the level of involvement is reported to be much lower than in the past. Contrary to the situation in Burma, drugs do not seem to be a significant source of financial support for insurgents but, rather, a means for personal or syndicate enrichment.

Thailand receives equipment from the United States under the narcotics control program. In fiscal year 1975, \$4.8 million was provided, with \$3.7 million more programmed for FY 1976. Bangkok is a regional headquarters for the U.S. Drug Enforcement Agency (DEA) which is active throughout Southeast Asia. The agency has a regional budget of \$500,000, but the figure does not include assistance to other governments which runs into the millions. There are 26 U.S. agents in Thailand and they are involved in operational actions as well as intelligence gathering. The day before my arrival, for example, U.S. agents and Thai police had carried out a joint raid on an opium refinery.

This sort of U.S. anti-drug activities in Thailand seems to be highly dubious. Quite apart from the expenditure of U.S. funds, the direct participation by U.S. agents in police activities within Thailand amounts to involvement in internal Thai affairs. While it undoubtedly is meritorious in objective, it is a foot-in-the-door, a point of entry which could lead to extensions and in the end, renewed entrapment in the internal affairs of that nation at renewed cost to the people of the United States. The sorry history of military and economic aid and other activity in Indochina and Thailand over the past two decades should serve as a precaution in this respect. Police actions, including local drug enforcement, are functions of indigenous governments. If there is a U.S. role, it should be limited to the exchange of information and intelligence with appropriate Thai or other officials. Beyond that point, U.S. financial assistance for antidrug operations at what-

ever level may be set by the Congress, in my judgment, is best channeled through international or regional organizations.

Foreign policy and U.S.-Thai relations

President Nixon's trip to Peking and the end of U.S. involvement in Indochina have created a new milieu for Thai foreign policy. From direct links and intimate cooperation with the United States in matters of security, Thailand has moved towards a neutral position. An effort is now being made by Bangkok to assure good relations with all the major powers. A case in point was Prime Minister Khukrit's visit to Peking in July which resulted in the establishment of diplomatic relations with China. So, too, was the official protest to the United States over the use of Thai bases in the Mayaguez affair. That incident, moreover, was followed by a demand for the complete withdrawal of U.S. forces from Thailand.

The outcome of the Indochina war was not only a factor in the new Thai approach to China, it also resulted in intensified interest in closer association with the Southeast Asian nations. Within five months after taking office, Khukrit visited not only Peking but all of the ASEAN countries. Thailand joined in support of the proposal to create in Southeast Asia a zone of "peace, freedom, and neutrality" which would be guaranteed by the great powers. There is no indication thus far, however, that this grouping will include any type of joint security arrangement. In that sense it would not be a substitute for the SEATO Organization which Prime Minister Khukrit and President Ferdinand Marcos of the Philippines have urged should be "phased out to make it accord with new realities in the region." This proposal, it should be noted, relates only to the organized activities under the Southeast Asian Treaty and the large headquarters staff in Bangkok. It does not involve a renunciation of the actual treaty, the so-called Manila Pact. Thailand is the only signatory in the area, however, to which the Pact now has practical application insofar as a U.S. security commitment is concerned. Pakistan renounced the treaty several years ago and the Philippines, Australia, and New Zealand, are tied to the United States by other defense arrangements.

The security relationship between the United States and Thailand is complicated by the existence of the 1962 Rusk-Thanat communique in which the obligations of the Manila Pact were held to be both joint and several. Under that interpretation, it would seem the multilateral SEATO treaty would also amount to a bilateral U.S.-Thai treaty. Thus, the treaty, potentially, has far more significance than the "scrap of paper," as it is often called today. An attack for example, by an enemy in Southeast Asia could conceivably lead on a Thai call on the United States to come to its aid notwithstanding the disinclination of any other of the signatories to do so.

The fact is that the Manila Pact was born of an old and now altered view of China. It is of no current relevance to U.S. interests in Asia. Left in abeyance it is, perhaps, a source of potential mischief or embarrassment. We would be well-advised, therefore, to reexamine this agreement forthwith, with a view to its termination.

It should be noted in this connection that Prime Minister Khukrit has called for the complete withdrawal of the 19,000 U.S. military forces in Thailand by the end of March 1976. Some references, however, have been made to the possible retention of a standby capacity at the U Taphao Base, manned by a small caretaker force.

For more than a decade, my view has been that the United States in its own interests should withdraw militarily from the Southeast Asian mainland, "lock, stock and barrel." It remains my judgment that it is not in the interest of this nation, nor probably, in the interest of Thailand to have a U.S. capacity retained at any of the installations in Thailand. There should be no toe-hold which would serve as a potential source of reinvolvement of U.S. military forces on the Southeast Asian Mainland.

LAOS—THE SANDS RUN OUT

It has been said that in Laos the French laid foundations of sand and that we tried to build on them. As seen from Thailand, the sands have run out. Since the fall of Cambodia and South Vietnam, the Pathet Lao have rapidly expanded their control of Laos. The advance occurred without much resistance or bloodshed, with the opposition tending to evaporate or flee the country. Three of the five government military commanders had left the country by early August and another left shortly afterwards.

In the capital of Vientiane, the Pathet Lao have also extended their control of the coalition central government. Prime Minister Souvanna Phouma is still in nominal command but he is reported to be virtually powerless. The King remains on the throne but is said not to play a political role. Laos is now described as a "Democratic People's Kingdom."

U.S. relations with Laos are strained and minimal following the forced closing of U.S. aid operations last June. The size of the U.S. mission dropped from 800 (including dependents) in April 1975 to 32 by mid-August. It is estimated that there are also some 50 other Americans without official status remaining in Laos. U.S. assistance is not being provided to Laos as a result of a prohibition contained in the continuing appropriations resolution for FY 1976. The new U.S. Ambassador to Laos has been confirmed by the Senate, but as of late-summer had not yet been ordered to his post. In this fashion, a U.S. involvement of 22 years which cost billions of dollars and many lives, is drawing to a close.

Exactly 20 years ago, in 1955, on the occasion of a third visit to Laos, I reported to the Committee as follows:

"* * * military aid policies which seek to do more than bulwark the security forces to the point where they can cope with armed minorities and stop occasional border sallies seem to me to be highly unrealistic. By the same token economic aid programs which attempt to move an ancient pastoral country overnight from the age of the oxcart to that of the airplane are equally unsound to say the least. Both, in attempting to do too much, in my opinion, can do incalculable harm.

"In Laos as in Cambodia, there has been an enormous increase in United States activity and in the size of the (U.S. official) mission during the past year. At the time of my first visit to Vientiane in 1953, there were two Americans in the entire country. Now (1955) there are some 45. Accordingly, I recommend that the Executive Branch, as in the case of Cambodia, review the extent of our activity in Laos and the size of the mission with a view to keeping both within the realm of the reasonable."

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